

SALT LAKE CITY SCHOOL DISTRICT

440 EAST FIRST SOUTH SALT LAKE CITY, UTAH 84111-1898

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

PREPARED BY THE OFFICE OF THE
BUSINESS ADMINISTRATOR

Kent G. Stephens, MBA, Business Administrator
Rick James, Director of Accounting

SALT LAKE CITY SCHOOL DISTRICT

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Salt Lake City
School District
Our Students, Our Future

Business Administration

440 East 100 South
Salt Lake City, Utah 84111
Phone 801 578.8332
Fax 801 578.8262

November 30, 2005

Members of the Board of Education, and
Citizens of the Salt Lake City School District:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Salt Lake City School District for the year ended June 30, 2005. This report is published to present complete financial information on all the funds and financial activities of the District for the year. Responsibility for the accuracy of the statements, notes, schedules, and statistical tables rests with the District. We believe the information in this report is a fair presentation of the financial position and the results of operations of the District. The report is prepared in accordance with generally accepted accounting and financial reporting principles (GAAP) applicable to governmental entities. The reader will be able to gain a comprehensive understanding of the District's financial affairs from studying this report.

The report is organized in three sections labeled introductory, financial, and statistical. The introductory section includes this transmittal letter, reproductions of last year's GFOA Certificate of Achievement for Excellence in Financial Reporting and last year's ASBO Certificate of Excellence in Financial Reporting, administrative organizational chart, and members of the Board of Education.

The financial section contains the independent auditor's report, management discussion and analysis (MD&A), the basic financial statements, notes to the basic financial statements, and combining and individual fund statements and schedules.

The statistical section, which is not audited, presents selected financial and demographic data, generally in multiple year formats and is useful in allowing the reader to note trends and changes in the major activities of the District. This section also includes all disclosures, not contained elsewhere in the CAFR, to comply with the Securities and Exchange Commission continuing disclosure requirements for general obligation debt issues.

The District's 2005 Comprehensive Annual Financial Report includes all financial transactions of all schools and departments of the District, which are accounted for in various funds. These funds include the General Fund, Special Programs Fund and Child Nutrition Fund (Special Revenue Funds), Debt Service Fund, Capital Projects Fund, Internal Service Funds, and the Student Activities Fund (Agency Fund). The District is an independent political subdivision established by the constitution of the State of Utah and is not a part of any other governmental entity. Also, the Salt Lake Education Foundation is a discretely presented component unit of the District; the Foundation is a legally separate entity established to support the District. The Foundation's financial data is presented as a separate column on the government-wide financial statements of the District. There are no other units of government that are dependent on the District and, therefore, that should be included in this report.

District Profile

The major purpose of the District is to provide public education for the approximately 23,310 students living within the boundaries of Salt Lake City, which are part of a total population of approximately 179,750 citizens. In accomplishing this goal, the District operates 39 schools comprised of 4 high schools, 5 intermediate schools, 27 elementary schools and 3 special schools. Additionally, the District operates several other educational programs. These include community schools, adult education opportunities, sheltered workshop programs, and many programs for at-risk and disabled students, along with programs for highly-motivated students. The Salt Lake Education Foundation is a component unit that provides enhancements to regular educational programs of the District through gifts and contributions.

Management's Discussion and Analysis

GAAP requires management provide a narrative introduction, overview, and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

Budget Controls

The District adopts an annual budget for all governmental funds, which covers all revenues and expenditures of these funds. This budget acts as the operating plan for the fiscal year and is revised as necessary, following the requirements of Board policies and State law. Revisions may be made during the year authorizing a larger total appropriation of available resources after a public hearing and approval of the Board. A balanced budget by fund is required. The District may not make an appropriation that is in excess of its estimated revenue, undistributed reserves, and estimated fund balances available from a previous year.

The level at which expenditures may not exceed appropriations has been interpreted by the State Superintendent of Public Instruction to be the total budget of a given fund.

Internal Controls

The business administrator, working with all of the business departments, is responsible for establishing and maintaining effective internal controls. These controls are designed to ensure protection of the District's assets and to ensure the accuracy of recorded transactions that are relied on in the preparation of financial reports. The internal controls are designed to provide reasonable assurance that these objectives are met. Internal controls undergo a continuing review by District staff and annually by the independent auditors. Because the cost of internal controls should not outweigh their benefit, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Single Audit

For federal programs, the District is required to be subject to the Single Audit Act and to demonstrate compliance with the provisions of the federal government's Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-profit Organizations*. The Single Audit is conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. All of the Single Audit schedules, findings, recommendations, opinions, and reports on compliance and internal controls are issued in a report separate from this report.

Looking Ahead

The economic outlook for the District is heavily dependent on state aid providing about half of general fund revenues. There are signs that the Utah and national economies are beginning to grow. The Utah legislature had a slight increase in available resources and allocated some new dollars to public education.

The state increased the value of the weighted pupil unit (WPU) from \$2,182 to \$2,280 (4.49%) for fiscal 2006. WPU funding for increased state-wide enrollment was raised by an additional 1.60%. The state also appropriated \$2.5 million for a new math and science job enhancement program, an additional \$10.7 million for retirement and social security costs, \$2 million for Quality Teaching Block Grants plus \$2 million for increased transportation costs. State funding for public education is projected to increase by about 5.3% in 2006. The District is expecting an increase in state funding of 2.7% for 2006. A decline of 313 students in the District's fiscal 2005 enrollment will further reduce the District's share of state resources in fiscal 2006. State funding is based on the previous year's enrollment. The District anticipates a decrease in enrollment of 34 students for fiscal 2006.

Higher interest rates are projected to increase investment earnings.

The District's assessed property valuation is expected to grow by some \$234 million for fiscal 2006. The total taxable assessed valuation is expected to stay about the same at \$15.3 billion in fiscal 2006. A slight tax rate increase plus new growth are projected to provide additional property tax revenue in fiscal 2006. The approved tax rate for the 2005 calendar year is .006128, this up from .006039 for the 2004 year.

The fiscal 2006 budget projects expenditure per pupil in the general fund of \$6,449, a decrease of 2.04% compared to the previous year's original budget. This is primarily due to budgeted reductions in instructional supplies and textbooks.

To help keep interest costs at a minimum, the District applies to Moody's Rating Services Inc. for ratings on impending bond issues. The District enjoys an Aaa rating, the highest granted by Moody's on general obligation bonds. The fiscal 2006 budget anticipates the sale of \$10 million in general obligation bonds. These proceeds will be used to bring all buildings in the District to current life-safety standards by either retrofitting or replacement. District voters approved a \$136 million bond authorization in May 1999. This will bring the total issued to \$104.7 million. During fiscal 2006, the District's unused legal debt capacity will be approximately \$637 million.

Continuing Developments

The District continues its aggressive capital improvement plan it began several years ago. The purpose of the program is to upgrade every building in the District to meet current life-safety building code requirement, including earthquake and Americans with Disabilities Act access codes. It also provides for other building improvements, such as air conditioning.

The fiscal 2006 budget includes appropriations to complete or continue the following projects: Bonneville, Indian Hills, Highland Park and Washington elementary schools, plus Northwest, Bryant and Glendale middle schools. The fiscal 2006 budget also includes design and planning costs for the retrofitting of Emerson elementary school and replacement of Clayton middle school.

The District continually reviews the building program and also updates its overall multi-year capital improvement program. It is the District's policy to maintain all assets at a level adequate to protect the capital investment and to minimize future maintenance and replacement cost.

Cash Management

In attempting to maximize earnings on short-term idle cash balances, the District uses the services of several firms, including a money management agreement with its primary bank which pays a higher rate of interest on overnight balances of the cash "sweep" accounts. The District maintains an account with the State Public Treasurers' Investment Pool that renders excellent liquidity along with generating an attractive rate of return on the deposits. For handling funds of a longer horizon, investment specialists are used to manage portfolios of select U.S. Government and corporate securities. All of these arrangements are kept in strict compliance with the State Money Management Act. The various treasury activities of the District are regulated by this Act, which sets forth investment limitations, standards for the proper management of cash, and reporting requirements. All investment and cash transactions are within the oversight of the State Money Management Council. Note 2 to the basic financial statements in the financial section of this report gives a more thorough explanation of these requirements and of the investment practices of the District.

The cash and investment positions of the District are very stable at \$92,240,889.

Risk Management

The District provides protection for its employees, volunteers, and patrons in several ways. The District is self-insured for workers' compensation in case an employee or volunteer is injured at the workplace. Unemployment compensation benefits are paid to qualifying past employees by the State of Utah; subsequently, these expenses are reimbursed to the State by the District.

To protect the health and welfare of our employees, the District carries commercial insurance for major medical and accidental risks along with separate long-term disability and life insurance coverages. The District also provides a self-insured dental insurance plan for its employees.

The District participates with other school districts and state agencies in a pooling arrangement for acquiring property and general liability insurance coverage. The Utah State Risk Management Fund separately manages this coverage.

Independent Audit

State law requires an annual audit of the financial records of the District in order to provide a reasonable basis for financial users to rely on the information presented in the financial statements. The Board has retained Squire & Company, PC, Certified Public Accountants, to complete an independent audit of the financial position and activities of all of the funds of the District. Their opinion is included as page 11 of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate of Achievement) to the Salt Lake City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. We have received certificates continuously for twenty-nine years. In order to receive a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting this report to GFOA to determine its eligibility for another certificate.

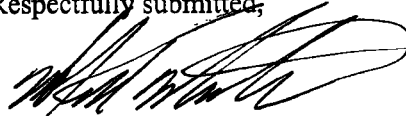
The Association of School Business Officials (ASBO) has awarded its Certificate of Excellence to the Salt Lake City School District. This award certifies that the annual financial report for the year ended June 30, 2004, substantially conforms to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials of the United States and Canada. The District believes that the 2005 annual report, which will be submitted to ASBO for an annual review, also conforms to these principles and standards.

Acknowledgement

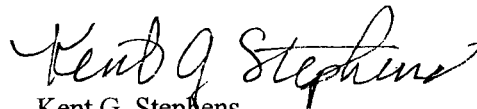
Many individuals helped in preparing this report, including members of the various business departments. We express our appreciation to the Accounting Department under the direction of Rick James, in particular for the major effort in closing the year and making sure that this report was prepared in a timely manner.

Special thanks go to members of the Board of Education for their continuing support and concern for the financial affairs of the District.

Respectfully submitted,



McKell Withers,
Superintendent of Schools



Kent G. Stephens,
Business Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Salt Lake City
School District,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Nancy L. Ziehlke

President

Jeffrey R. Emer

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

Salt Lake City School District

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

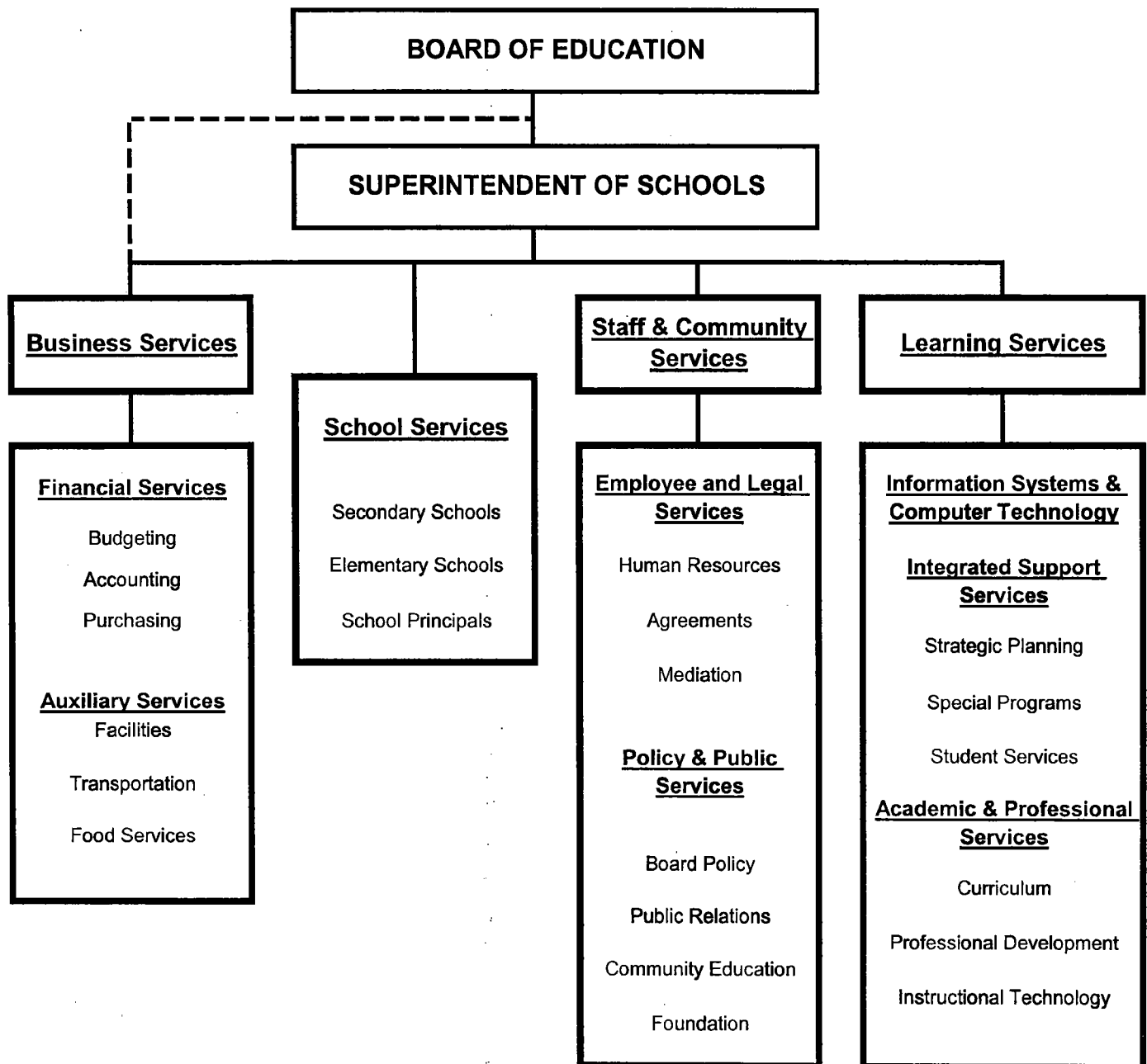
Executive Director

Administrative Organizational Chart Salt Lake City School District

THE ADMINISTRATION

The Board of Education appoints a superintendent and a business administrator whose duties and responsibilities are to some extent prescribed by Utah State statutes.

The following is an organizational chart for District administration.



Salt Lake City School District

Members of the Board of Education

The Board of Education is comprised of seven individuals elected by precinct in a general election. Board members serve four-year terms and the terms are staggered so that not more than four board members are elected in any one election. There is also a non-voting student member of the board who is appointed by the elected members after a recommendation by high school students.

Laurel Young, President	Precinct Number Six
Douglas Nelson, Vice President.....	Precinct Number Three
Clifford Higbee	Precinct Number One
Alama Uluave	Precinct Number Two
John deJong.....	Precinct Number Four
Heather Bennett	Precinct Number Five
Kristi Swett.....	Precinct Number Seven
Sophie Jin ..	Student Board Member

McKell Withers.	Superintendent of Schools
Kent G. Stephens	Business Administrator

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Independent Auditor's Report

Board of Education
Salt Lake City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Salt Lake City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Agui & Company, PC

September 16, 2005

Management's Discussion and Analysis

This section of Salt Lake School District's (District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2005. Please read it in conjunction with the transmittal letter found on pages 1 through 5 of this report and the District's financial statements, which follow this section.

Financial Highlights

- The District's total assets exceeded liabilities by \$210.5 million at the close of the most recent fiscal year.
- During the year, expenses were \$5.9 million less than the \$194.7 million generated in taxes and other revenues for governmental activities. This year was similar to than last year, when expenses were less than revenues by \$5.6 million.
- Student enrollment decreased by 313 students to a total of 23,310 students for fiscal 2005. As a result of this decline in enrollment state aid has only increased by \$1.7 million or 2.4% from the previous year while state-wide funding increased by 6.7%.
- Property tax revenues increased by \$3.4 million due to an increase in tax rates from .006018 to .006039 and an increase in the taxable value of property.
- The District started four additional capital projects during the year ended June 30, 2005 at a projected cost of \$36.4 million. This brings the total of capital projects under construction to a total of \$77.7 million. The four latest projects are the replacement of Highland Park elementary school and Glendale middle school and the retrofit of Bryant middle school, and the Beardsley Place remodel. During the year the District completed the replacement of two elementary schools and the retrofit of two elementary schools at a cost of \$24.2 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 22 and 23 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24 to 28 of this report.

- **Proprietary funds.** *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses four internal service funds to account for services provided to all the other funds of the District: distribution services, printing and graphics, technical services, and employee benefits. The internal service funds have been included within *governmental activities* in the government-wide financial statements.

The four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found on pages 29 to 31 of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33 to 48 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 49 to 65 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$210.5 million at the close of the most recent fiscal year.

SALT LAKE SCHOOL DISTRICT'S Net Assets (in millions of dollars) June 30, 2005 and 2004

	Governmental activities		Total change
	2005	2004	2005-2004
Current and other assets	\$ 187.5	\$ 183.2	\$ 4.3
Capital assets	288.0	261.4	26.6
Total assets	<u>475.5</u>	<u>444.6</u>	<u>30.9</u>
Other liabilities	117.1	120.3	(3.2)
Long-term liabilities outstanding	<u>147.9</u>	<u>119.7</u>	<u>28.2</u>
Total liabilities	<u>265.0</u>	<u>240.0</u>	<u>25.0</u>
Net assets:			
Invested in capital assets, net of related debt	160.5	149.9	10.6
Restricted	24.4	27.0	(2.6)
Unrestricted	<u>25.6</u>	<u>27.7</u>	<u>(2.1)</u>
Total net assets	<u>\$ 210.5</u>	<u>\$ 204.6</u>	<u>\$ 5.9</u>

- The largest portion of the District's net assets (76%) reflects its investment in capital assets (e.g., sites, buildings, equipment and vehicles net of accumulated depreciation), less any related debt (general obligation bonds payable less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of *unrestricted net assets* (12%) may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Capital assets, net of related debt increased by \$10.6 million during the year ended June 30, 2005. This increase was the result of the District's capital improvement plan to upgrade all buildings throughout the District. Capital assets are financed with general obligation bonds and property tax levies for capital outlay.

The District's net assets increased by \$5.9 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

SALT LAKE CITY SCHOOL DISTRICT'S Changes in Net Assets

(in millions of dollars)

Years Ended June 30, 2005 and 2004

	Governmental activities		Total change
	2005	2004	2005-2004
Revenues:			
Program revenues:			
Charges for services	\$ 5.1	\$ 5.1	\$ -
Federal and state operating grants	50.2	48.0	2.2
General revenues:			
Property taxes	82.7	79.3	3.4
Federal and state aid not restricted to specific purposes	52.6	50.9	1.7
Earnings on investments	1.9	1.4	0.5
Miscellaneous	2.2	2.0	0.2
Total revenues	194.7	186.7	8.0
Expenses:			
Instruction	123.0	117.6	5.4
Supporting services:			
Counseling and child accounting	4.8	4.7	0.1
Media services and educational supervision	14.7	14.0	0.7
General district administration	0.9	0.8	0.1
General school administration	8.0	7.6	0.4
Business services	1.6	1.6	-
Operation and maintenance of school buildings	14.5	14.3	0.2
Student transportation	3.9	3.7	0.2
Personnel and information systems	2.4	2.2	0.2
Community services	0.5	0.5	-
Child nutrition services	9.9	9.1	0.8
Interest on long-term liabilities	4.6	5.0	(0.4)
Total expenses	188.8	181.1	7.7
Increase in net assets	5.9	5.6	0.3
Net assets - beginning	204.6	199.0	5.6
Net assets - ending	\$ 210.5	\$ 204.6	\$ 5.9

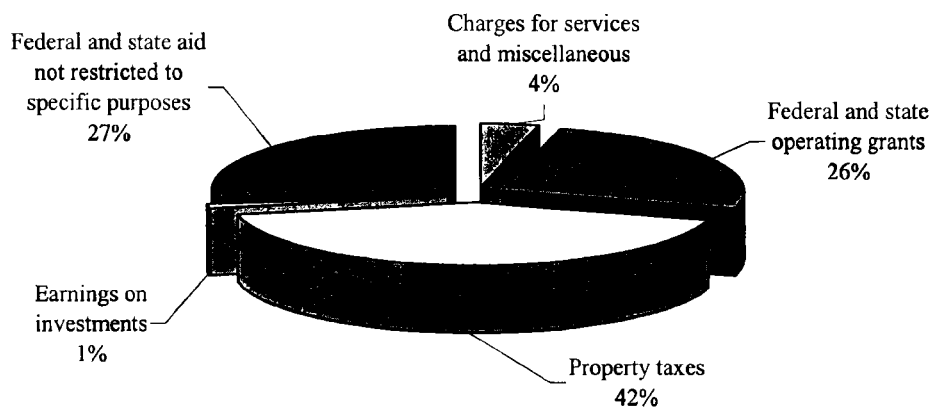
Governmental activities. The key elements of the increase of the District's net assets for the year ended June 30, 2005 are as follows:

- The largest dollar change in revenues is from property taxes. Property tax revenues increased by \$3.4 million due to an increase in tax rates from .006018 to .006039 and an increase in the taxable value of property.

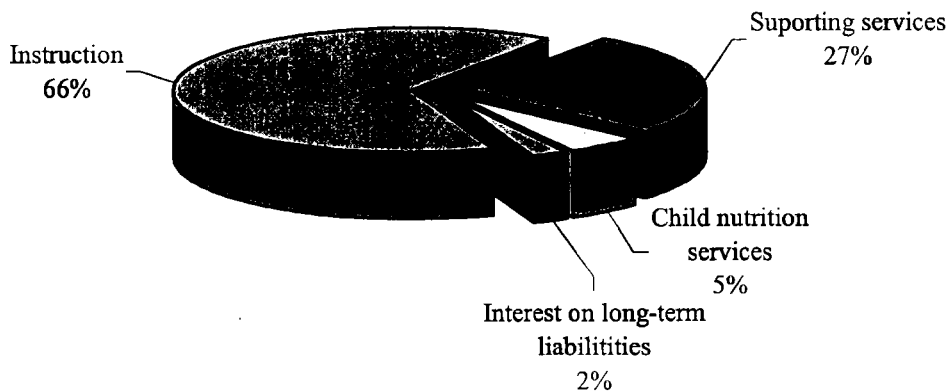
Federal and state aid increases are a reflection of changes in funding for specific programs. Federal and state revenues increased by \$3.9 million. State aid increased by \$1.7 million even though the District experienced a 658 decrease in the number of weighted pupil units (WPU's). State aid is based primarily on WPU's and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes generated by the required basic tax levy do not provide money equal to the amount generated by the WPU it will make up the difference with state funding. Certain special students receive a weighting greater than one. The value of the WPU increased by 1.5% during the year ended June 30, 2005 (\$2,182 during fiscal 2005 as compared to \$2,150 in fiscal 2004).

- Instruction represents the largest dollar increase in expense of \$5.4 million due to teacher step and lane costs, increases in health care insurance premiums, and other employee benefits. There was a 1.5% cost of living increase given for salaries in fiscal 2005.

SALT LAKE CITY SCHOOL DISTRICT
Revenues by Source - Governmental Activities
Year Ended June 30, 2005



SALT LAKE CITY SCHOOL DISTRICT
Expenses by Function - Governmental Activities
Year Ended June 30, 2005



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$60.3 million, \$8.1 million higher than the previous year. Included in this year's change in the total fund balance is an increase in the fund balance of the *capital projects fund* of \$9.5 million; this year's change also includes a decrease in the fund balance of the *general fund* of \$2.1 million. The primary reasons for the general fund's decrease mirror those highlighted in the analysis of governmental activities. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$145.3 million, an increase of 7.5% during the current fiscal year. This compares to a 1.7% increase in fiscal 2004. Instruction represents 68.9% of general fund expenditures.
- General fund salaries totaled \$95.3 million while the associated employee benefits of retirement, social security, insurance (health and accident, industrial, and unemployment) added \$30.4 million to arrive at 86.8% of total general fund expenditures.
- Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. Of the \$23.5 million fund balance in the general fund, \$7.0 million is designated for general contingencies as allowed by state law; this amount, limited to 5.0% of general fund budgeted expenditures, is set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's excellent bond rating of Aaa given by Moody's Investor Service. The capital projects fund reported a \$33.2 million fund balance at June 30, 2005.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$3.7 million or 2.5% in total general fund expenditures. The most significant budgetary adjustments may be summarized as follows:

- \$3.1 million or 2.9% increase in instruction, to reflect carryover allocations for supplies and equipment not spent in the previous year.
- \$0.5 million or 4.0% increase in media services and educational supervision for the receipt of new grants.
- \$0.8 million or 5.4% decrease in operation and maintenance of school buildings due to reduced utility costs.
- \$0.5 million or 6.2% increase in general school administration reflects additional supply and salary costs.

Even with these budget adjustments, actual expenditures were \$9.1 million below final budgeted amounts. The most significant variance may be summarized as follows:

- \$7.2 million or 6.7% positive variance in instruction, due to unspent supply allocations and equipment budgets which are carried over to the next year.
- \$0.7 million or 5.4% positive variance in media services and educational supervision due to unspent library supply allocations and federal grants which are carried over to the next year.
- \$0.6 million or 4.0% positive variance in operation and maintenance of school buildings due to savings in utility costs.

Resources available for appropriation were \$0.7 million below the final budgeted amount. Variances in state and federal revenues primarily result from expenditure-driven grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted. The district deferred \$4.2 million in unearned state revenue at June 30, 2005. Revenue from other local sources surpassed projections because a payment received late in the year from Salt Lake Redevelopment Agency exceeded expectations.

Capital Asset and Debt Administration

Capital Assets. The *capital projects fund* is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. During fiscal 2005 one intermediate retrofit project, one intermediate replacement and one replacement elementary school was begun. These new projects were in addition to two elementary schools and one intermediate school replacements previously under construction for a total projected cost of \$75.5 million. With the exception of Indian Hills and Bonneville elementary replacements and Northwest intermediate replacement (which will be completed in fiscal 2006) all projects were substantially completed during fiscal 2005. During fiscal 2005 one intermediate school retrofit project and two replacement intermediate schools were begun at a projected cost of \$34.3 million. Of the total projects underway at the end of the year that total \$77.7 million, projected cost to complete all projects begun to date is \$39.1 million. At the end of the year there was a reservation of fund balance in the *capital projects fund* of \$33.1 million plus the receipt of future property taxes and/or bond proceeds will be used to fulfill the required costs to complete various projects in progress at June 30, 2005.

Capital assets at June 30, 2005 and 2004 are outlined below:

SALT LAKE CITY SCHOOL DISTRICT'S Capital Assets
(net of accumulated depreciation, in millions of dollars)
June 30, 2005 and 2004

	Governmental activities		Total change
	2005	2004	2005-2004
Land	\$ 31.7	\$ 31.7	\$ -
Construction in progress	38.6	29.6	9.0
Buildings	213.3	196.4	16.9
Equipment	2.0	1.7	0.3
Vehicles	2.4	2.0	0.4
Total capital assets, net	<u>\$ 288.0</u>	<u>\$ 261.4</u>	<u>\$ 26.6</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration. In May of 1999, the District held a bond election where voters authorized \$136.0 million in debt. Of the \$136.0 million authorization, the District has issued \$104.7 million leaving a remaining authorized but unissued amount of \$31.3 million. Moody's Investor Services has awarded an Aaa rating to all outstanding issues.

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$777.8 million. Net general obligation debt at June 30, 2005 is \$140.4 million, resulting in a legal debt margin of \$637.4 million.

Although it is not unusual for governments to have a 30-year bond payoff schedule, the District maintains an aggressive schedule to retire all of its current general obligation bonds by 2025.

SALT LAKE CITY SCHOOL DISTRICT'S Outstanding Debt
(in millions of dollars)
June 30, 2005 and 2004

	Governmental activities		
	2005	2004	Total change 2005-2004
General obligation bonds, net	\$ 140.4	\$ 111.5	\$ 28.9

Additional information on the District's long-term debt can be found in Note 8 to the basic financial statements.

Changing Enrollment within the District

Each year, for many years, historical information has been kept relative to the number of students who leave District schools for various reasons and the number of students who enter the schools in each age group. From this database, implied estimates of migration of students in and out of the District are made. Birth data is also projected forward adjusted by implied estimates as described above. These projections of enrollment and average daily membership have been very accurate in the past. Currently the District is projecting average daily membership to show small changes over the next few years.

SALT LAKE CITY SCHOOL DISTRICT'S Changing Enrollment
Average Daily Membership (ADM)

District Fiscal Year	2004	2005	2006 *	2007 *	2008 *	2009 *
Average Daily Membership	23,623	23,310	23,276	23,052	23,017	22,898

* Projected ADM.

The District's enrollment for the year ending June 30, 2005 decreased by 313 students in average daily membership compared to the prior year.

Requests for Information

This financial report is designed to provide a general overview of the Salt Lake City School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Salt Lake City School District, 440 East First South, Salt Lake City, UT 84111.

BASIC FINANCIAL STATEMENTS

SALT LAKE CITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Primary Government Governmental Activities	Component Unit District Foundation
Assets:		
Cash and investments	\$ 87,333,972	\$ 2,856,975
Receivables:		
Property taxes	88,348,645	-
Other local	907,776	2,003
State of Utah	477,558	-
Federal government	8,043,703	-
Due from component unit	313,079	-
Inventories	1,032,792	-
Prepaid expenses	310,237	-
Bond issuance costs, net of accumulated amortization	780,508	-
Capital assets:		
Sites and construction in progress	70,294,119	-
Buildings, equipment, and vehicles, net of accumulated depreciation	217,695,334	-
Total assets	475,537,723	2,858,978
Liabilities:		
Accounts payable	7,275,997	23,718
Accrued interest	1,369,127	-
Accrued salaries and related benefits	17,521,907	-
Due to primary government	-	313,079
Deferred revenue:		
Property taxes	85,900,507	-
Other local sources	799,725	-
State of Utah	4,249,684	-
Federal government	856	-
Noncurrent liabilities:		
Portion due or payable within one year	9,566,579	-
Portion due or payable after one year	138,296,796	-
Total liabilities	264,981,178	336,797
Net Assets:		
Invested in capital assets, net of related debt	160,495,660	-
Restricted for:		
Special programs	1,481,871	-
Child nutrition	2,119,030	-
Capital projects	20,828,545	-
Scholarships and programs	-	2,265,490
Unrestricted	25,631,439	256,691
Total net assets	\$ 210,556,545	\$ 2,522,181

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2005

Activities or Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Total Governmental Activities	District Foundation
Primary government					
Governmental activities:					
Instruction	\$ 123,020,933	\$ 2,529,295	\$ 32,299,038	\$ (88,192,600)	
Supporting services:					
Counseling and child accounting	4,844,132	-	551,493	(4,292,639)	
Media services and educational supervision	14,660,073	-	5,224,195	(9,435,878)	
General district administration	935,694	-	654,288	(281,406)	
General school administration	8,020,289	-	65,761	(7,954,528)	
Business services	1,601,310	-	-	(1,601,310)	
Operation and maintenance of school buildings	14,459,399	329,969	384,563	(13,744,867)	
Student transportation	3,900,984	112,748	2,324,289	(1,463,947)	
Personnel and information systems	2,411,287	-	63,950	(2,347,337)	
Community services	510,772	768,987	286,377	544,592	
Child nutrition services	9,883,076	1,407,576	8,361,736	(113,764)	
Interest on long-term liabilities	4,558,460	-	-	(4,558,460)	
Total primary government	<u>\$ 188,806,409</u>	<u>\$ 5,148,575</u>	<u>\$ 50,215,690</u>	<u>(133,442,143)</u>	
Component unit:					
Salt Lake Education Foundation	<u>\$ 1,210,327</u>	<u>\$ -</u>	<u>\$ 662,408</u>		\$ (547,919)
General revenues:					
Property taxes levied for:					
Basic state supported program for regular K-12 instruction (set by state legislature)				24,648,846	-
Voted leeway for regular K-12 instruction				25,004,885	-
School Board leeway for class size reduction				2,779,842	-
School Board K-3 reading program				1,656,950	-
Tort liability				356,039	-
Community recreation				2,163,621	-
Debt service				10,571,616	-
Capital outlay for buildings and other capital needs				11,680,814	-
Ten percent of basic for construction, textbooks, and supplies				3,834,265	-
Federal and state revenue not restricted to specific purposes				52,585,629	-
Earnings on investments				1,946,572	64,907
Miscellaneous				2,171,861	-
Total general revenues				<u>139,400,940</u>	<u>64,907</u>
Change in net assets				5,958,797	(483,012)
Net assets - beginning				204,597,748	3,005,193
Net assets - ending				<u>\$ 210,556,545</u>	<u>\$ 2,522,181</u>

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 44,012,715	\$ 165,336	\$ 33,666,566	\$ 1,734,313	\$ 79,578,930
Receivables:					
Property taxes	58,167,599	11,294,137	16,575,443	2,311,466	88,348,645
Other local	973,125	-	-	247,485	1,220,610
State of Utah	216,786	-	-	260,772	477,558
Federal government	6,043,612	-	-	2,000,091	8,043,703
Inventories	424,179	-	-	516,951	941,130
Prepaid expenditures	224,979	-	63,432	17,546	305,957
Total assets	<u>\$ 110,062,995</u>	<u>\$ 11,459,473</u>	<u>\$ 50,305,441</u>	<u>\$ 7,088,624</u>	<u>\$ 178,916,533</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 6,378,376	\$ -	\$ 471,037	\$ 416,327	\$ 7,265,740
Accrued salaries and related benefits	17,521,907	-	-	-	17,521,907
Deferred revenue:					
Property taxes	58,453,558	11,349,661	16,656,930	2,322,829	88,782,978
Other local	25,859	-	-	773,866	799,725
State of Utah	4,199,568	-	-	50,116	4,249,684
Federal government	856	-	-	-	856
Total liabilities	86,580,124	11,349,661	17,127,967	3,563,138	118,620,890
Fund Balances:					
Reserved for:					
Inventories	424,179	-	-	516,951	941,130
Prepaid expenditures	224,979	-	63,432	17,546	305,957
Construction commitments	-	-	33,114,042	-	33,114,042
Unreserved:					
Designated for:					
General contingencies	7,000,000	-	-	-	7,000,000
Programs	382,879	-	-	-	382,879
Programs reported in the special revenue funds	-	-	-	794,019	794,019
Schools	2,966,566	-	-	-	2,966,566
Schools reported in the special revenue funds	-	-	-	160,183	160,183
Undesignated, reported in:					
General fund	12,484,268	-	-	-	12,484,268
Debt service fund	-	109,812	-	-	109,812
Special revenue funds	-	-	-	2,036,787	2,036,787
Total fund balances	<u>23,482,871</u>	<u>109,812</u>	<u>33,177,474</u>	<u>3,525,486</u>	<u>60,295,643</u>
Total liabilities and fund balances	<u>\$ 110,062,995</u>	<u>\$ 11,459,473</u>	<u>\$ 50,305,441</u>	<u>\$ 7,088,624</u>	<u>\$ 178,916,533</u>

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2005

Total fund balances for governmental funds \$ 60,295,643

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Sites	\$ 31,717,467	
Construction in progress	38,576,652	
Buildings, net of \$139,969,375 accumulated depreciation	213,298,702	
Equipment, net of \$3,818,628 accumulated depreciation	1,920,810	
Vehicles, net of \$4,160,572 accumulated depreciation	2,425,888	287,939,519

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 2,882,471

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (1,369,127)

Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$901,639 and accumulated amortization is \$121,131. 780,508

Internal service funds are used by management to charge the costs of warehouse, printing and graphics, technical, and employee benefit services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are: 411,044

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

General obligation bonds payable	(140,667,722)	
Unamortized deferred amounts on refunding	2,161,241	
Unamortized premiums and discounts	(1,877,032)	(140,383,513)

Total net assets of governmental activities \$ 210,556,545

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 54,631,176	\$ 10,607,486	\$ 15,567,704	\$ 2,170,935	\$ 82,977,301
Earnings on investments	1,069,495	30,851	628,354	22,640	1,751,340
School lunch sales	-	-	-	1,407,576	1,407,576
Other local sources	3,120,073	-	-	2,792,787	5,912,860
State of Utah	69,922,001	-	-	4,075,887	73,997,888
Federal government	14,483,282	-	-	14,320,149	28,803,431
Total revenues	143,226,027	10,638,337	16,196,058	24,789,974	194,850,396
Expenditures:					
Current:					
Instruction	100,174,972	-	-	10,136,597	110,311,569
Supporting services:					
Counseling and child accounting	4,687,110	-	-	76,961	4,764,071
Media services and educational supervision	11,655,995	-	-	2,603,782	14,259,777
General district administration	360,833	-	-	427,460	788,293
General school administration	7,780,109	-	-	-	7,780,109
Business services	1,601,310	-	-	-	1,601,310
Operation and maintenance of school buildings	13,209,340	-	-	681,771	13,891,111
Student transportation	3,463,364	-	-	-	3,463,364
Personnel and information systems	2,388,225	-	-	23,062	2,411,287
Child nutrition services	-	-	-	9,315,593	9,315,593
Community services	-	-	-	510,772	510,772
Capital outlay	-	-	41,629,070	10,476	41,639,546
Bond issuance costs	-	151,219	146,350	-	297,569
Debt service:					
Principal retirement	-	6,265,000	-	-	6,265,000
Interest, fiscal charges, and other	-	4,687,813	-	-	4,687,813
Total expenditures	145,321,258	11,104,032	41,775,420	23,786,474	221,987,184
Excess (deficiency) of revenues over (under) expenditures	(2,095,231)	(465,695)	(25,579,362)	1,003,500	(27,136,788)
Other financing sources (uses):					
Refunding bonds issued	-	19,665,000	-	-	19,665,000
Bonds issued	-	-	35,000,000	-	35,000,000
Bond premium	-	1,385,927	63,642	-	1,449,569
Payment to refunded bond escrow agent	-	(20,899,708)	-	-	(20,899,708)
Sale of capital assets	-	-	-	1,088	1,088
Total other financing sources (uses)	-	151,219	35,063,642	1,088	35,215,949
Net change in fund balances	(2,095,231)	(314,476)	9,484,280	1,004,588	8,079,161
Fund balances - beginning	25,578,102	424,288	23,693,194	2,520,898	52,216,482
Fund balances - ending	\$ 23,482,871	\$ 109,812	\$ 33,177,474	\$ 3,525,486	\$ 60,295,643

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities Year Ended June 30, 2005

Net change in fund balances-total governmental funds **\$ 8,079,161**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for sites, equipment, and vehicles and \$100,000 for buildings are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset purchases	\$ 36,045,407	
Loss on sale of capital assets	(33,407)	
Proceeds from sales of capital assets	(1,088)	
Depreciation expense	<u>(9,380,865)</u>	26,630,047

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	6,265,000	
General obligation bonds issued	(35,000,000)	
Premium on general obligation bond	(63,642)	
General obligation refunding bonds issued	(19,665,000)	
Premium on refunding bond	(1,385,927)	
Payment to refunded bond escrow agent	20,899,708	
Bond issuance costs	297,569	
Interest expense	180,280	
Amortization of bond issuance costs	(47,165)	
Amortization of bond premiums and discounts	55,048	
Amortization of deferred amounts on refunding	<u>(105,975)</u>	(28,570,104)

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues decreased this year. (280,422)

Internal service funds are used by the District to charge the costs of distribution, printing and graphics, technical, and employee benefit services to individual funds. The net revenue of the internal service funds is reported with governmental activities.

100,115

Change in net assets of governmental activities **\$ 5,958,797**

SALT LAKE CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 57,853,991	\$ 53,440,906	\$ 54,631,176	\$ 1,190,270
Earnings on investments	866,300	1,221,700	1,069,495	(152,205)
Other local sources	1,332,356	1,235,335	3,120,073	1,884,738
State of Utah	69,449,037	72,313,152	69,922,001	(2,391,151)
Federal government	13,422,403	15,738,113	14,483,282	(1,254,831)
Total revenues	142,924,087	143,949,206	143,226,027	(723,179)
Expenditures:				
Current:				
Instruction	104,355,535	107,418,756	100,174,972	7,243,784
Supporting services:				
Counseling and child accounting	4,591,715	4,775,629	4,687,110	88,519
Media services and educational supervision	11,850,598	12,326,712	11,655,995	670,717
General district administration	428,825	372,961	360,833	12,128
General school administration	7,500,833	7,962,254	7,780,109	182,145
Business services	1,681,790	1,690,273	1,601,310	88,963
Operation and maintenance of school buildings	14,547,538	13,761,082	13,209,340	551,742
Student transportation	3,394,949	3,582,654	3,463,364	119,290
Personnel and information systems	2,337,199	2,526,656	2,388,225	138,431
Total expenditures	150,688,982	154,416,977	145,321,258	9,095,719
Net change in fund balances	(7,764,895)	(10,467,771)	(2,095,231)	8,372,540
Fund balances - beginning	17,574,721	25,578,102	25,578,102	-
Fund balances - ending	\$ 9,809,826	\$ 15,110,331	\$ 23,482,871	\$ 8,372,540

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Fund Net Assets

Proprietary Funds

Governmental Activities - Internal Service Funds

June 30, 2005

Assets:

Current assets:

Cash and investments	\$ 7,755,042
Inventories	91,662
Receivables	245
Prepaid expenses	4,280
Total current assets	7,851,229

Capital assets:

Equipment	382,239
Accumulated depreciation	(332,305)
Net capital assets	49,934
Total assets	7,901,163

Liabilities:

Current liabilities:

Accounts payable	10,257
Accrued vacation	151,940
Accrued sick leave	293,066
Early retirement insurance payable	436,600
Dental insurance payable	660,105
Workers compensation payable	109,868
Total current liabilities	1,661,836

Noncurrent liabilities:

Accrued vacation	1,367,456
Accrued sick leave	3,370,265
Early retirement insurance payable	1,090,562
Total noncurrent liabilities	5,828,283
Total liabilities	7,490,119

Net assets:

Invested in capital assets, net of related debt	49,934
Unrestricted	361,110
Total net assets	\$ 411,044

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Governmental Activities - Internal Service Funds

Year Ended June 30, 2005

Operating revenues:

Charges for services	\$ 3,874,791
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Operating expenses:

Salaries	777,196
Employee benefits	2,797,585
Materials	217,486
Contracted services	30,416
Utilities	53,057
Equipment maintenance	47,407
Depreciation	35,753
Other expenses	11,008

Total operating expenses	<u>3,969,908</u>
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Operating loss	(95,117)
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Non-operating income:

Earnings on investments	<u>195,232</u>
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Change in net assets	100,115
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Total net assets - beginning	<u>310,929</u>
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Total net assets - ending	<u><u>\$ 411,044</u></u>
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The notes to the financial statements are an integral part of these statements.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Fund Cash Flows

Proprietary Funds

Governmental Activities - Internal Service Funds

Year Ended June 30, 2005

Cash flows from operating activities:

Receipts from interfund services provided	\$ 3,918,755
Payments to suppliers	(376,300)
Payments to employees	(4,284,786)
Net cash used by operating activities	(742,331)

Cash flows from investing activities:

Interest earned	195,232
Net increase in cash and cash equivalents	(547,099)

Cash and cash equivalents - beginning

8,302,141

Cash and cash equivalents - ending (displayed as cash and investments on the statement of fund net assets)

\$ 7,755,042

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (95,117)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	35,753
(Increase) decrease in operating assets:	
Accounts receivable	43,964
Inventories	(3,641)
Prepaid expenses	(3,847)
Increase (decrease) in operating liabilities:	
Accounts payable	(9,438)
Accrued vacation	(105,712)
Accrued sick leave	(544,205)
Early retirement insurance payable	1,372
Dental insurance payable	(76,085)
Workers compensation payable	14,625
Total adjustments	(647,214)
Net cash used by operating activities	\$ (742,331)

Noncash investing, capital, and financing activities:

none

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Fiduciary Fund Assets and Liabilities

Agency Fund

June 30, 2005

	<u>Student Activities Fund</u>
Assets:	
Cash and investments	<u>\$ 2,049,942</u>
Liabilities	
Due to student groups	<u>\$ 2,049,942</u>

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Salt Lake City School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting entity – The Board of Education, comprised of seven elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and all entities for which the District is considered to be financially accountable. The District is not a component unit of any other primary government.

- *Discretely presented component unit.* The Salt Lake Education Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Board of Education. The Foundation exclusively services the District. The Foundation is presented as a discretely presented component unit of the District as a governmental fund. Financial information specific to the Foundation may be obtained by writing the Foundation at 440 East 100 South, Salt Lake City, UT 84111.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall District and its component unit, except for fiduciary activities. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instruction, library media and educational supervision, school administration, operation and maintenance of school buildings, and child nutrition services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

earnings, result from nonexchange transactions or ancillary activities. Operating expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, including cost of sales and services, administrative expenses, and depreciation on capital assets.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on general obligation bonds payable.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, procurement of equipment, textbooks, and supplies necessary for providing educational programs for all students within the District.

Additionally, the District reports the following fund types:

- *Internal service funds (proprietary funds)* account for distribution services, printing and graphics, technical services, and employee benefits services provided to other funds of the District on a cost-reimbursement basis.
- The *student activities agency fund (a fiduciary fund)* account for monies held on behalf of student groups.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* are reported using the economic resources measurement focus, as are the proprietary fund financial statements. Because agency funds are custodial in nature, they do not measure results of operations or have a measurement focus. The government-wide, proprietary, and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditure driven grants are recognized as revenue when qualifying expenditures are incurred and all other grant requirements are met; grants received in advance are recorded as deferred revenue until earned. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and long-term employee benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a District level for the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash and Cash Equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as "due to/from other funds."

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the weighted average method. Inventories of all funds are recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets – Capital assets, which include sites, buildings, equipment, and vehicles are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for sites, equipment, and vehicles and \$100,000 for buildings and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements and portable classrooms	20
Maintenance equipment	15
Vocational education equipment	15
Buses	10
Musical instruments	10
Child nutrition equipment	10
Athletic equipment	8
Vehicles	8
Audio visual equipment	6
Copiers and printers	5
Computer equipment	3

Most works of art are not capitalized or depreciated. These assets are held for public exhibition, education, or research rather than financial gain.

SALT LAKE CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

Compensated Absences – The District accrues salary related payments for vacation benefits for twelve-month or full-year contract employees. Employees accrue between ten and twenty days a year, and are limited to a maximum of the number of days earned in two years or two and a quarter years depending upon the employee class and the length of service with the District. The District is liable to the employee for days earned but not taken. If an employee terminates, then a payment is made; otherwise, scheduled vacation time off is allowed.

A retiring teacher who meets the provisions of the Utah State Employees' Retirement Act is eligible to receive a benefit equal to 19% of the employee's accumulated unused sick leave. This is the only sick leave benefit that accumulates and vests for an employee.

All vacation pay and vested sick leave plus related payroll taxes are accrued when incurred in the government-wide and internal service fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations – In the government-wide financial statements and internal service fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2005, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 6,299,523
Carrying amount of investments	85,941,366
Total cash and investments	<u>\$ 92,240,889</u>
Governmental funds cash and investments	\$ 79,578,930
Internal service funds cash and investments	7,755,042
Agency fund cash and investments	2,049,942
Component unit cash and investments	2,856,975
Total cash and investments	<u>\$ 92,240,889</u>

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Rules of the Council allow Salt Lake Education Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions.

All of the District's investments are with the PTIF and US Government agency bonds. The Foundation has deposits separate from the District and invests private funds through a broker.

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Deposits – At June 30, 2005, the District and the Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Salt Lake City School District	\$ 5,339,161	\$ 7,951,530	\$ 1,157,086
Salt Lake Education Foundation	960,362	1,009,445	200,000
Total deposits	<u>\$ 6,299,523</u>	<u>\$ 8,960,975</u>	<u>\$ 1,357,086</u>

- **Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the uninsured amount of the District's and Foundation's bank deposits was uncollateralized.

Investments – At June 30, 2005, the District and the Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More Than 10
Salt Lake City School District:				
Utah Public Treasurers'				
Investment Fund (PTIF)	\$ 62,069,078	\$ 62,069,078	\$ -	\$ -
US Government agency bonds	21,975,675	4,000,000	17,975,675	-
	84,044,753	66,069,078	17,975,675	-
Salt Lake Education Education Foundation, a component unit:				
Fixed government securities	1,896,613	1,351,639	506,587	38,387
Total investments	<u>\$ 85,941,366</u>	<u>\$ 67,420,717</u>	<u>\$ 18,482,262</u>	<u>\$ 38,387</u>

- **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.
- **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices.

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

At June 30, 2005, the District and the Foundation have the following investments subject to credit risk:

Investment Type	Fair Value	Credit Quality Ratings		
		A or Higher	Less than A	Unrated
Salt Lake City School District: Utah Public Treasurers' Investment Fund (PTIF)	\$ 62,069,078	\$ -	\$ -	\$ 62,069,078

- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.
- **Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The Foundation's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Salt Lake County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

Motor vehicles are subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the county collects the fee.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion. The property taxes receivable and property taxes deferred revenue accounts at June 30, 2005 are summarized as follows:

	Major Funds			Other	
	General	Debt Service	Capital Projects	Governmental Funds	Totals
Property taxes - receivable:					
Levied for current and prior years (delinquent)	\$ 2,055,549	\$ 399,116	\$ 585,749	\$ 81,684	\$ 3,122,098
Levied for future year	56,112,050	10,895,021	15,989,694	2,229,782	85,226,547
	<u>\$ 58,167,599</u>	<u>\$ 11,294,137</u>	<u>\$ 16,575,443</u>	<u>\$ 2,311,466</u>	<u>\$ 88,348,645</u>
Property taxes - deferred revenue:					
Levied for future year and collected	\$ 443,727	\$ 86,156	\$ 126,444	\$ 17,633	\$ 673,960
Levied for future year and uncollected	56,112,050	10,895,021	15,989,694	2,229,782	85,226,547
Deferred property tax revenue - governmental activities, statement of net assets	56,555,777	10,981,177	16,116,138	2,247,415	85,900,507
Levied for current and prior years (delinquent)	1,897,781	368,484	540,792	75,414	2,882,471
Deferred property tax revenue - governmental funds, balance sheet	<u>\$ 58,453,558</u>	<u>\$ 11,349,661</u>	<u>\$ 16,656,930</u>	<u>\$ 2,322,829</u>	<u>\$ 88,782,978</u>

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,717,467	\$ -	\$ -	\$ 31,717,467
Construction in progress	29,631,357	31,728,420	(22,783,125)	38,576,652
Total capital assets, not being depreciated	61,348,824	31,728,420	(22,783,125)	70,294,119
Capital assets, being depreciated:				
Buildings	335,855,793	25,134,614	(7,722,330)	353,268,077
Equipment	5,536,921	916,994	(332,238)	6,121,677
Vehicles	5,634,068	1,048,504	(96,112)	6,586,460
Total capital assets, being depreciated	347,026,782	27,100,112	(8,150,680)	365,976,214
Accumulated depreciation for:				
Buildings	(139,466,854)	(8,224,851)	7,722,330	(139,969,375)
Equipment	(3,892,681)	(590,490)	332,238	(4,150,933)
Vehicles	(3,620,912)	(601,277)	61,617	(4,160,572)
Total accumulated depreciation	(146,980,447)	(9,416,618)	8,116,185	(148,280,880)
Total capital assets, being depreciated, net	200,046,335	17,683,494	(34,495)	217,695,334
Governmental activity capital assets, net	<u>\$ 261,395,159</u>	<u>\$ 49,411,914</u>	<u>\$ (22,817,620)</u>	<u>\$ 287,989,453</u>

For the year ended June 30, 2005, depreciation expense was charges to function of the District as follows:

Governmental activities:	
Instruction	\$ 6,748,803
Supporting services:	
Counseling and child accounting	80,061
Media services and educational supervision	400,296
General district administration	147,401
General school administration	240,180
Operation and maintenance of school buildings	568,288
Student transportation	437,620
Child nutrition	758,216
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of the assets	<u>35,753</u>
Total depreciation expense, governmental activities	<u>\$ 9,416,618</u>

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The District is obligated at June 30, 2005, under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Bonneville - Replace	\$ 8,759,746	\$ 7,761,859	\$ 997,887
Warehouse at Beardsley Place	2,144,328	1,861,122	283,206
Northwest - Replace	20,316,428	16,695,860	3,620,568
Indian Hills - Replace	12,140,923	8,981,250	3,159,673
Bryant - Retrofit	4,941,608	1,196,325	3,745,283
Glendale - Replace	18,025,699	1,452,157	16,573,542
Highland Park - Replace	11,328,471	628,079	10,700,392
	<u>\$ 77,657,203</u>	<u>\$ 38,576,652</u>	<u>\$ 39,080,551</u>

A reservation of fund balance established in the *capital projects fund* for construction commitments of \$33,114,042 plus receipt of future property taxes and/or bond proceeds will be used to fulfill the required costs to complete at June 30, 2005.

5. RETIREMENT PLANS

Defined Benefit Plans – The District contributes to the State and School Contributory Retirement System and State and the School Noncontributory Retirement System (collectively, the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the URS and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 1.00% of annual covered salary, 0.50% of this is covered by the District. In addition, the District contributes 12.21% of annual covered salary. For employees participating in the State and School Noncontributory System, the District contributes 11.70% of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2005, 2004, and 2002 are \$632,567, \$544,499, and \$503,876, respectively, and employee contributions were \$21,980, \$21,422, and \$27,939, respectively. The District's contributions to the State and School Noncontributory Retirement System for the years ended June 30, 2005, 2004, and 2003 are \$13,284,720 \$10,462,292, and \$9,970,226 respectively. The contributions were equal to the required contributions for each year.

SALT LAKE CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

Defined Contribution Plans – The District also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 2.0% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004 and 2003 are \$2,188,689, \$1,907,514, and \$1,949,120, respectively; the employee contributions for the years ending June 30, 2005, 2004 and 2003 are \$3,132,275, \$2,597,467, and \$2,666,100, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$277,706 for the year ended June 20, 2005. The assets of the plan are administered and held by URS and a third-party administrator.

Termination Benefits – In accordance with employee agreements the District provides post-employment health care benefits for employees retiring under the retirement incentive program, with a portion of the cost incurred by the District. The expense for all retirees for the year ended June 30, 2005 is \$465,085 and the total liability at June 30, 2005 is \$1,527,162. This liability is serviced through the internal service fund. The District recognizes the liability and expense in the year in which an employee retires. The District accrues the costs for its 115 retirees using current insurance premiums as the basis for determining the liability. No liability has been recorded for current employees who may qualify for this benefit at a future date.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation in the State Risk Management System for school districts. This is a pooled arrangement where the districts pay experienced rated annual premiums which are designed to pay claims and build sufficient reserves so that the system will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$500 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year.

The District self insures its workers compensation liability and retains a third-party administrator to process claims. All requirements of the State Industrial Commission related to maintaining a self-insured status have been met. At June 30, 2005, an estimate of all future costs based on open claims was recorded as a liability of \$109,868; this liability is serviced through the internal service fund. The District carries a co-insurance policy to cover individual claims in excess of \$400,000. A reconciliation of the accrued liability is as follows:

SALT LAKE CITY SCHOOL DISTRICT**Notes to Basic Financial Statements***Continued*

	Workers Compensation	
	2005	2004
Accrued Liability - July 1	\$ 95,243	\$ 121,346
Charges for Services	329,652	360,575
Claims Paid	(315,027)	(386,678)
Accrued Liability - June 30	<u>\$ 109,868</u>	<u>\$ 95,243</u>

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah.

The District provides commercial insurance for major medical and accident risks along with separate life insurance and long-term disability policies. Additional liabilities are not incurred from the settlement of claims under these policies.

The District self insures dental benefits for employees and retains a third-party administrator to process claims. At June 30, 2005, the current unpaid and the incurred but not reported liabilities were recorded for \$660,105. This liability is recorded in the internal service fund. This liability is the District's best estimate based on available information from the third-party administrator. A reconciliation of the accrued liability is as follows:

	Dental Benefits	
	2005	2004
Accrued Liability - July 1	\$ 736,190	\$ 936,190
Charges for Services	640,853	684,828
Claims Paid	(716,938)	(884,828)
Accrued Liability - June 30	<u>\$ 660,105</u>	<u>\$ 736,190</u>

There have been no significant changes in insurance coverage from those in force in the prior year. During the last three fiscal years there have been no insurance settlements which have exceeded the limits of our insurance coverage.

SALT LAKE CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

8. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 112,172,722	\$ 54,665,000	\$ (26,170,000)	\$ 140,667,722	\$ 7,915,000
Deferred amounts on refunding	(1,156,948)	(1,110,268)	105,975	(2,161,241)	-
Unamortized premiums and discounts	499,821	1,449,569	(72,358)	1,877,032	-
Total bonds payable, net	111,515,595	55,004,301	(26,136,383)	140,383,513	7,915,000
Accrued vacation	1,625,108	209,796	(315,508)	1,519,396	151,940
Accrued sick leave	4,207,536	657,258	(1,201,463)	3,663,331	293,066
Early retirement insurance	1,525,790	1,035,642	(1,034,270)	1,527,162	436,600
Accrued dental insurance	736,190	1,064,141	(1,140,226)	660,105	660,105
Workers compensation	95,243	571,233	(556,608)	109,868	109,868
Total governmental activity long-term liabilities	<u>\$ 119,705,462</u>	<u>\$ 58,542,371</u>	<u>\$ (30,384,458)</u>	<u>\$ 147,863,375</u>	<u>\$ 9,566,579</u>

Payments on the general obligation bonds are made by the *debt service fund* from property taxes and earnings on investments. Employee benefits will be paid by the fund in which the employee worked.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments are listed as follows:

Years Ending June 30,	Principal	Interest	Total
2006	\$ 7,915,000	\$ 6,600,250	\$ 14,515,250
2007	8,140,000	6,236,662	14,376,662
2008	8,425,000	5,947,048	14,372,048
2009	8,735,000	5,422,900	14,157,900
2010	9,080,000	5,070,904	14,150,904
2011-2015	46,430,000	17,306,836	63,736,836
2016-2020	31,037,722	8,412,606	39,450,328
2021-2025	20,905,000	2,459,400	23,364,400
Totals	<u>\$ 140,667,722</u>	<u>\$ 57,456,606</u>	<u>\$ 198,124,328</u>

SALT LAKE CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

General Obligation Bonds – General obligation school building bonds payable at June 30, 2005, with their outstanding balance are comprised of the following individual issues:

\$15,000,000 1996 school building serial bonds, due in annual installments of \$900,000 to \$2,090,000, beginning March 1, 1997, through March 11, 2008, interest from 4.40% to 4.80%. During the year ended June 30, 2005, \$2,850,000 of these bonds were defeased.	\$ 1,330,000
\$9,305,000 1997 refunding bonds, due in annual installments of \$55,000 to \$1,300,000, beginning March 1, 1999, through March 1, 2013, interest from 3.90% to 4.90%.	8,860,000
\$10,000,000 1998 school building serial bonds, due in annual installments of \$240,000 to \$1,640,000, beginning March 1, 1999, through March 1, 2018, interest from 3.50% to 4.65%. During the year ended June 30, 2005, \$4,990,000 of these bonds were defeased.	940,000
\$10,000,000 1999 school building serial bonds, due in annual installments of \$290,000 to \$1,010,000, beginning March 1, 2001, through March 1, 2019, interest from 5.00% to 5.50%. During the year ended June 30, 2003, \$6,135,000 of these bonds were defeased.	2,205,000
\$10,000,000 2000 school building serial bonds, due in annual installments of \$280,000 to \$995,000, beginning March 1, 2001, through March 1, 2020, interest from 5.00% to 5.90%. During the year ended June 30, 2003, \$5,205,000 of these bonds were defeased.	3,170,000
\$10,000,000 2001B school building serial bonds, due in annual installments of \$330,000 to \$735,000, beginning March 1, 2002, through March 1, 2021, interest from 3.50% to 4.85%. During the year ended June 30, 2005, \$6,035,000 of these bonds were defeased.	2,575,000
\$4,742,722 school building qualified zone academy bonds, due on October 31, 2015, interest of 0.83%.	4,742,722
\$10,000,000 2002A school building serial bonds, due in annual installments of \$345,000 to \$740,000, beginning March 1, 2003, through March 1, 2021, interest from 3.00% to 5.05%. During the year ended June 30, 2005, \$6,030,000 of these bonds were defeased.	2,910,000
\$12,315,000 2002B refunding bonds, due in annual installments of \$60,000 to \$1,320,000, beginning March 1, 2003, through March 1, 2020, interest from 3.00% to 4.80%	12,115,000
\$6,105,000 2002C refunding bonds, due in annual installments of \$50,000 to \$770,000, beginning March 1, 2003, through March 1, 2013, interest from 3.00% to 4.25%	5,405,000
\$45,000,000 2003A school building serial bonds, due in annual installments of \$1,545,000 to \$3,210,000, beginning March 1, 2004, through March 1, 2023, interest from 3.00% to 5.00%	41,750,000
\$35,000,000 2005A school building serial bonds, due in annual installments of \$1,285,000 to \$2,540,000, beginning March 1, 2006, through March 1, 2025, interest from 3.00% to 4.25%	35,000,000
\$19,665,000 2005B refunding bonds, due in annual installments of \$135,000 to \$5,755,000, beginning March 1, 2006, through March 1, 2015, interest from 3.00% to 5.00%	19,665,000
	<u>\$ 140,667,722</u>

SALT LAKE CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005, is \$777,772,524. General obligation debt net of deferred amounts on refunding and unamortized premiums and discounts at June 30, 2005 is \$140,383,513, resulting in a legal debt margin of \$637,389,011.

Advance Refunding – April 20, 2005 – The District issued \$19,665,000 of general obligation refunding bonds (Series 2005B) to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$19,905,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,110,268. This amount is being netted against the new debt and amortized over the life of the new refunding bonds, which is shorter than the remaining life of the refunded bonds. This advance refunding was undertaken to reduce total debt service payments over the next seventeen years by \$3,217,027 and resulted in an economic gain of \$673,247.

Bond Election – On May 4, 1999, the public voted to authorize the District to issue \$136,000,000 of general obligation bonds for new school construction, land acquisition, and renovation of existing school facilities and related equipment and improvements. Of the \$136,000,000 authorization, the District has issued \$104,742,722 leaving a remaining authorized but not issued amount of \$31,257,278 at June 30, 2005.

9. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah state law allows for the establishment of an “undistributed reserve” in the *general fund*. The Board must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year’s total *general fund* budgeted expenditures. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

10. LITIGATION AND LEGAL COMPLIANCE

There are several lawsuits pending in which the District is involved. The District's counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially effect the financial statements of the District.

11. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

***COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES***

SALT LAKE CITY SCHOOL DISTRICT

Major Governmental Funds

General Fund

By Definition the general fund is a major fund. However, the general fund is presented in the basic financial statements.

To account for resources which are not required to be accounted for in any other fund. Revenues and expenditures of categorical federal and state programs are accounted for in this fund, if they are for the kindergarten through grade 12 regular day school programs.

Debt Service Fund

To account for the accumulation of resources and the payment of general obligation bond principal and interest due annually. Financing is provided by an annual property tax levy authorized by Utah Code 53A-16-104 and 53A-17a-145.

Capital Projects Fund

To account for resources collected by property taxes authorized by Utah Code Annotated (1953, as amended), Sections 53A -21-102 and 53A -17a-145. Taxes collected pursuant to this authority can be used for Debt Service, acquiring and improving sites, construction and remodeling facilities, and purchasing equipment, books, and supplies, necessary for providing educational programs for all students within the District.

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property tax	\$ 53,440,906	\$ 54,631,176	\$ 1,190,270	\$ 51,586,978
Interest on investments	1,221,700	1,069,495	(152,205)	626,485
Other local sources	1,235,335	3,120,073	1,884,738	3,067,047
State of Utah	72,313,152	69,922,001	(2,391,151)	67,970,207
Federal government	15,738,113	14,483,282	(1,254,831)	12,191,566
Total revenues	143,949,206	143,226,027	(723,179)	135,442,283
Expenditures:				
Current:				
Instruction	107,418,756	100,174,972	7,243,784	92,038,844
Supporting services:				
Counseling and child accounting	4,775,629	4,687,110	88,519	4,539,965
Media services and educational supervision	12,326,712	11,655,995	670,717	10,660,170
General district administration	372,961	360,833	12,128	339,133
General school administration	7,962,254	7,780,109	182,145	7,408,795
Business services	1,690,273	1,601,310	88,963	1,623,693
Operation and maintenance of school buildings	13,761,082	13,209,340	551,742	12,992,156
Student transportation	3,582,654	3,463,364	119,290	3,366,309
Personnel and information systems	2,526,656	2,388,225	138,431	2,152,383
Total expenditures	154,416,977	145,321,258	9,095,719	135,121,448
Net change in fund balances	(10,467,771)	(2,095,231)	8,372,540	320,835
Fund balance - beginning	25,578,102	25,578,102	-	25,257,267
Fund balance - ending	\$ 15,110,331	\$ 23,482,871	\$ 8,372,540	\$ 25,578,102

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Debt Service Fund Year Ended June 30, 2005 With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property tax	\$ 10,375,117	\$ 10,607,486	\$ 232,369	\$ 11,047,620
Interest on investments	175,000	30,851	(144,149)	24,370
Total revenues	10,550,117	10,638,337	88,220	11,071,990
Expenditures:				
Bond issuance costs	90,262	151,219	60,957	-
Debt service:				
Principal retirement	6,265,000	6,265,000	-	5,905,000
Interest on bonds	4,685,872	4,685,872	-	5,079,212
Other	65,457	1,941	63,516	4,500
Total expenditures	11,106,591	11,104,032	124,473	10,988,712
Excess (deficiency) of revenues over (under) expenditures	(556,474)	(465,695)	(36,253)	83,278
Other Financing Sources (Uses):				
Refunding bond proceeds	19,665,000	19,665,000	-	-
Bond premium	1,385,927	1,385,927	-	-
Payment to refunded bond escrow agent	(20,899,708)	(20,899,708)	-	-
Total other financing sources (uses)	151,219	151,219	-	-
Net change in fund balances	(405,255)	(314,476)	(36,253)	83,278
Fund balance - beginning	424,288	424,288	-	341,010
Fund balance - ending	<u>\$ 19,033</u>	<u>\$ 109,812</u>	<u>\$ (36,253)</u>	<u>\$ 424,288</u>

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Capital Projects Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 15,226,703	\$ 15,567,704	\$ 341,001	\$ 16,286,639
Interest on investments	576,000	628,354	52,354	575,054
Other local sources	-	-	-	8,347
Total local sources	15,802,703	16,196,058	393,355	16,870,040
Expenditures:				
Site acquisition	-	8,866	(8,866)	(7,280)
Equipment	4,133,036	2,096,766	2,036,270	2,289,972
Bond issuance costs	200,000	146,350	(53,650)	-
Facilities acquisition and construction services	39,622,938	39,523,438	99,500	39,067,272
Total expenditures	43,955,974	41,775,420	2,073,254	41,349,964
Excess (deficiency) of revenues over (under) expenditures	(28,153,271)	(25,579,362)	(1,679,899)	(24,479,924)
Other Financing Sources (Uses):				
General obligation bond proceeds	35,700,000	35,000,000	(700,000)	-
Bond premium	63,642	63,642	-	-
Total other financing sources (uses)	35,763,642	35,063,642	(700,000)	-
Net change in fund balances	7,610,371	9,484,280	(2,379,899)	(24,479,924)
Fund balance - beginning	23,693,194	23,693,194	-	48,173,118
Fund balance - ending	\$ 31,303,565	\$ 33,177,474	\$ (2,379,899)	\$ 23,693,194

SALT LAKE CITY SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

Special Programs Fund

To account for the operations of community school, various recreation programs and other major, non-regular day programs primarily funded by state and federal grants of the District.

Child Nutrition Fund

This fund accounts for the operation of the District's school lunch and breakfast programs, contract catering services, and a summer program for economically disadvantaged children. Revenues are generated through cash sales of food items in addition to federal and state subsidies.

SALT LAKE CITY SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	Special Revenue Funds		
	Special Programs	Child Nutrition	Total
Assets:			
Cash and investments	\$ 493,268	\$ 1,241,045	\$ 1,734,313
Receivables:			
Property taxes	2,311,466	-	2,311,466
Other local	246,031	1,454	247,485
State of Utah	93,767	167,005	260,772
Federal government	1,449,122	550,969	2,000,091
Inventories	-	516,951	516,951
Prepaid expenditures	8,228	9,318	17,546
Total assets	<u>\$ 4,601,882</u>	<u>\$ 2,486,742</u>	<u>\$ 7,088,624</u>
Liabilities:			
Accounts payable	\$ 96,291	\$ 320,036	\$ 416,327
Deferred revenue:			
Property taxes	2,322,829	-	2,322,829
Other local	726,190	47,676	773,866
State programs	50,116	-	50,116
Total liabilities	<u>3,195,426</u>	<u>367,712</u>	<u>3,563,138</u>
Fund balances:			
Reserved for:			
Inventories	-	516,951	516,951
Prepaid expenditures	8,228	9,318	17,546
Unreserved:			
Designated for programs	794,019	-	794,019
Designated for schools	160,183	-	160,183
Unreserved, undesignated	444,026	1,592,761	2,036,787
Total fund balances	<u>1,406,456</u>	<u>2,119,030</u>	<u>3,525,486</u>
Total liabilities and fund balances	<u>\$ 4,601,882</u>	<u>\$ 2,486,742</u>	<u>\$ 7,088,624</u>

SALT LAKE CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2005

	Special Revenue Funds		
	Special Programs	Child Nutrition	Total
Revenues:			
Property taxes	\$ 2,170,935	\$ -	\$ 2,170,935
Tuition	1,543,176	-	1,543,176
Food sales	-	1,407,576	1,407,576
Earnings on investments	6,091	16,549	22,640
Other local revenues	1,249,611	-	1,249,611
State of Utah	3,199,674	876,213	4,075,887
Federal government	6,834,626	7,485,523	14,320,149
Total revenues	15,004,113	9,785,861	24,789,974
Expenditures:			
Current:			
Instruction	10,136,597	-	10,136,597
Supporting services:			
Counseling and child accounting	76,961	-	76,961
Media services and educational supervision	2,603,782	-	2,603,782
General district administration	427,460	-	427,460
General school administration	-	-	-
Operation and maintenance of school buildings	681,771	-	681,771
Personnel and information systems	23,062	-	23,062
Child nutrition services	-	9,315,593	9,315,593
Community services	510,772	-	510,772
Capital outlay	10,476	-	10,476
Total expenditures	14,470,881	9,315,593	23,786,474
Excess of revenues over expenditures	533,232	470,268	1,003,500
Other financing sources (uses):			
Sale of capital assets	-	1,088	1,088
Net change in fund balances	533,232	471,356	1,004,588
Fund balances - beginning	873,224	1,647,674	2,520,898
Fund balances - ending	\$ 1,406,456	\$ 2,119,030	\$ 3,525,486

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Programs

A Nonmajor Special Revenue Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 2,123,408	\$ 2,170,935	\$ 47,527	\$ 1,641,876
Tuition	1,442,540	1,543,176	100,636	1,423,614
Earnings on investments	-	6,091	6,091	3,462
Other local sources	1,439,663	1,249,611	(190,052)	1,096,467
State of Utah	3,279,007	3,199,674	(79,333)	3,450,486
Federal government:	7,379,410	6,834,626	(544,784)	7,636,694
Total revenues	15,664,028	15,004,113	(659,915)	15,252,599
Expenditures:				
Current:				
Instruction	11,253,500	10,136,597	1,116,903	10,576,561
Supporting services:				
Counseling and child accounting	73,768	76,961	(3,193)	39,093
Library media and educational supervision	3,014,444	2,603,782	410,662	2,970,211
General district administration	449,437	427,460	21,977	376,569
General school administration	-	-	-	3,586
Operation and maintenance of school buildings	703,877	681,771	22,106	734,720
Personnel and information systems	23,383	23,062	321	23,030
Community services	514,353	510,772	3,581	471,650
Capital outlay	14,800	10,476	4,324	18,673
Total expenditures	16,047,562	14,470,881	1,576,681	15,214,093
Net change in fund balances	(383,534)	533,232	(2,236,596)	38,506
Fund balances - beginning	873,224	873,224	-	834,718
Fund balances - ending	\$ 489,690	\$ 1,406,456	\$ (2,236,596)	\$ 873,224

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Child Nutrition

A Nonmajor Special Revenue Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Food sales	\$ 1,414,090	\$ 1,407,576	\$ (6,514)	\$ 1,480,345
Earnings on investments	5,324	16,549	11,225	5,234
Other local revenues	1,300	-	(1,300)	-
State of Utah	889,417	876,213	(13,204)	837,098
Federal government:	7,431,949	7,485,523	53,574	6,859,418
Total revenues	9,742,080	9,785,861	43,781	9,182,095
Expenditures:				
Current:				
Salaries	2,892,751	2,663,389	229,362	2,676,301
Employee benefits	1,027,043	934,167	92,876	879,769
Food	4,087,100	3,800,988	286,112	3,365,404
Supplies	650,450	669,372	(18,922)	559,771
Contracted services	305,856	278,490	27,366	79,179
Indirect costs	454,969	482,571	(27,602)	508,975
Equipment and maintenance	865,500	461,966	403,534	257,617
Other expenses	34,966	24,650	10,316	24,641
Total expenditures	10,318,635	9,315,593	1,003,042	8,351,657
Excess (deficiency) revenues over (under) expenditures	(576,555)	470,268	1,046,823	830,438
Other financing sources:				
Sale of capital assets	9,000	1,088	(7,912)	6,944
Net change in fund balances	(567,555)	471,356	1,038,911	837,382
Fund balances - beginning	1,647,674	1,647,674	-	810,292
Fund balances - ending	<u>\$ 1,080,119</u>	<u>\$ 2,119,030</u>	<u>\$ 1,038,911</u>	<u>\$ 1,647,674</u>

SALT LAKE CITY SCHOOL DISTRICT

Internal Service Funds

Distribution Services Fund

To account for services provided to departments and schools in the District by the central warehousing system. Such costs are recovered by charging more than the invoice cost for items distributed through the warehouse.

Printing/Graphics Fund

To account for printing services provided to departments and schools in the District by the District's printing shop. Costs are recovered by charges to user departments and schools.

Technical Services Fund

To account for repair services provided to the various departments and schools of the District. Costs are recovered by charges to user departments and schools.

Employee Benefits Fund

To account for resources set aside for accrued vacation and sick leave payments, early retirement insurance benefits, dental insurance payments and worker's compensation payments

SALT LAKE CITY SCHOOL DISTRICT

Combining Statement of Fund Net Assets

Internal Service Funds

June 30, 2005

With Comparative Totals for 2004

	2005				2004	
	Distribution Services	Printing/ Graphics	Technical Services	Employee Benefits	Total	Total
Assets:						
Current assets:						
Cash and investments	\$ 147,300	\$ 130,196	\$ (2,316)	\$ 7,479,862	\$ 7,755,042	\$ 8,302,141
Receivables	12	233	-	-	245	44,209
Inventories	-	12,463	79,199	-	91,662	88,022
Prepaid expenditures	-	4,280	-	-	4,280	433
Total current assets	147,312	147,172	76,883	7,479,862	7,851,229	8,434,805
Capital assets:						
Equipment	96,233	180,441	105,565	-	382,239	439,573
Accumulated depreciation	(70,353)	(159,147)	(102,805)	-	(332,305)	(353,886)
Net capital assets	25,880	21,294	2,760	-	49,934	85,687
Total assets	173,192	168,466	79,643	7,479,862	7,901,163	8,520,492
Liabilities:						
Current liabilities:						
Accounts payable	788	4,282	5,187	-	10,257	19,696
Accrued vacation	-	-	-	151,940	151,940	162,511
Accrued sick leave	-	-	-	293,066	293,066	336,603
Early retirement insurance	-	-	-	436,600	436,600	506,633
Dental insurance	-	-	-	660,105	660,105	736,190
Workers compensation	-	-	-	109,868	109,868	95,243
Total current liabilities	788	4,282	5,187	1,651,579	1,661,836	1,856,876
Noncurrent liabilities:						
Accrued vacation	-	-	-	1,367,456	1,367,456	1,462,597
Accrued sick leave	-	-	-	3,370,265	3,370,265	3,870,933
Early retirement insurance	-	-	-	1,090,562	1,090,562	1,019,157
Total noncurrent liabilities	-	-	-	5,828,283	5,828,283	6,352,687
Total liabilities	788	4,282	5,187	7,479,862	7,490,119	8,209,563
Net assets:						
Invested in capital assets	25,880	21,294	2,760	-	49,934	85,687
Unrestricted	146,524	142,890	71,696	-	361,110	225,242
Total net assets	\$ 172,404	\$ 164,184	\$ 74,456	\$ -	\$ 411,044	\$ 310,929

SALT LAKE CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Internal Service Funds

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005					2004
	Distribution Services	Printing/ Graphics	Technical Services	Employee Benefits	Total	Total
Operating revenues:						
Charges for services	\$ 516,809	\$ 252,770	\$ 771,129	\$ 2,334,083	\$ 3,874,791	\$ 3,178,373
Operating expenses:						
Salaries	234,213	90,120	452,863	-	777,196	1,080,893
Employee benefits	74,144	29,749	167,051	2,526,641	2,797,585	1,841,098
Materials	12,663	68,382	136,441	-	217,486	203,282
Contracted services	2,749	-	27,667	-	30,416	25,011
Utilities	41,629	4,772	6,656	-	53,057	32,639
Equipment maintenance	8,331	26,328	12,748	-	47,407	66,639
Depreciation	13,243	17,163	5,347	-	35,753	40,835
Other expenses	8,508	-	2,500	-	11,008	15,858
Total operating expenses	395,480	236,514	811,273	2,526,641	3,969,908	3,306,255
Operating income (loss)	121,329	16,256	(40,144)	(192,558)	(95,117)	(127,882)
Non-operating revenues:						
Interest on investments	456	2,218	-	192,558	195,232	111,939
Change in net assets	121,785	18,474	(40,144)	-	100,115	(15,943)
Net assets - beginning	50,618	145,710	114,601	-	310,929	355,356
Net assets - ending	<u>\$ 172,403</u>	<u>\$ 164,184</u>	<u>\$ 74,457</u>	<u>\$ -</u>	<u>\$ 411,044</u>	<u>\$ 339,413</u>

SALT LAKE CITY SCHOOL DISTRICT

Combining Statement of Fund Cash Flows

Internal Service Funds

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005				2004
	Distribution Services	Printing/ Graphics	Technical Services	Employee Benefits	Totals
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 516,837	\$ 296,706	\$ 771,129	\$ 2,334,083	\$ 3,918,755
Payments to suppliers	(74,634)	(110,396)	(191,270)	-	(376,300)
Payments to employees	(308,357)	(119,869)	(619,914)	(3,236,646)	(4,284,786)
Net cash provided (used) by operating activities	133,846	66,441	(40,055)	(902,563)	(742,331)
Cash flows from investing activities:					
Interest earned	456	2,218	-	192,558	195,232
Change in cash and cash equivalents	134,302	68,659	(40,055)	(710,005)	(547,099)
Cash and Cash Equivalents - Beginning	12,998	61,537	37,739	8,189,867	8,302,141
Cash and Cash Equivalents - Ending (displayed as cash and investments in the combining statement of fund net assets)	\$ 147,300	\$ 130,196	\$ (2,316)	\$ 7,479,862	\$ 7,755,042
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 121,329	\$ 16,256	\$ (40,144)	\$ (192,558)	\$ (95,117)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	13,243	17,163	5,347	-	35,753
(Increase) decrease in operating assets:					
Accounts receivable	28	43,936	-	-	43,964
Inventories	-	(88)	(3,553)	-	(3,641)
Prepaid expenses	-	(3,847)	-	-	(3,847)
Increase (decrease) in operating liabilities:					
Accounts payable	(754)	(6,979)	(1,705)	-	(9,438)
Due to other funds	-	-	-	-	-
Vacation payable	-	-	-	(105,712)	(105,712)
Sick leave payable	-	-	-	(544,205)	(544,205)
Early retirement insurance payable	-	-	-	1,372	1,372
Dental insurance payable	-	-	-	(76,085)	(76,085)
Workers compensation payable	-	-	-	14,625	14,625
Total adjustments	12,517	50,185	89	(710,005)	(647,214)
Net cash provided (used) by operating activities	\$ 133,846	\$ 66,441	\$ (40,055)	\$ (902,563)	\$ (742,331)
Noncash investing, capital, and financing activities	none	none	none	none	none

SALT LAKE CITY SCHOOL DISTRICT

Fiduciary Fund

Student Activities Fund

(An Agency Fund)

This fund accounts for resources that belong to the student bodies of the various schools. It accounts for activities such as sports, dances, plays, clubs, etc. These resources are in the custody of school employees but are the property of the students and not the Board of Education.

SALT LAKE CITY SCHOOL DISTRICT

Statement of Changes in Fund Assets and Liabilities Student Activities Agency Fund Year Ended June 30, 2005

	Balances at July 1, 2004	Additions	Deductions	Balances at June 30, 2005
Assets:				
Cash and investments	\$ 2,103,467	\$ 3,674,507	\$ (3,728,032)	\$ 2,049,942
Total assets	<u>\$ 2,103,467</u>	<u>\$ 3,674,507</u>	<u>\$ (3,728,032)</u>	<u>\$ 2,049,942</u>
Liabilities:				
Due to student organizations:				
Elementary Schools:				
Backman	\$ 8,293	\$ 22,351	\$ (20,729)	\$ 9,915
Beacon Heights	36,338	85,644	(98,428)	23,554
Bennion	11,722	7,412	(14,693)	4,441
Bonneville	28,965	40,176	(33,802)	35,339
Dilworth	11,609	28,399	(27,485)	12,523
Edison	21,901	6,809	(12,186)	16,524
Emerson	23,830	11,337	(15,809)	19,358
Ensign	22,796	36,802	(34,580)	25,018
Escalante	13,264	13,323	(8,003)	18,584
Franklin	61,856	25,594	(15,658)	71,792
Hawthorne	15,604	29,069	(25,043)	19,630
Highland Park	9,441	23,578	(20,787)	12,232
Indian Hills	22,058	13,107	(11,210)	23,955
Jackson	13,340	5,677	(9,197)	9,820
Lincoln	12,936	16,593	(14,576)	14,953
Lowell	4,665	-	(4,665)	-
Meadowlark	16,392	1,414	(1,667)	16,139
Mountain View	69,227	40,771	(50,104)	59,894
Newman	14,681	10,350	(8,716)	16,315
Nibley Park	6,299	16,842	(15,193)	7,948
North Star	7,380	24,802	(10,889)	21,293
Parkview	11,791	16,357	(21,783)	6,365
Riley	11,104	30,607	(23,869)	17,842
Rose Park	57,771	5,889	(7,144)	56,516
Uintah	15,488	33,686	(32,901)	16,273
Wasatch	16,333	14,237	(15,213)	15,357
Washington	25,200	11,860	(12,602)	24,458
Whittier	37,141	29,225	(31,486)	34,880
Total elementary schools	607,425	601,911	(598,418)	610,918

(continued)

SALT LAKE CITY SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities (Concluded)

Student Activities Agency Fund

Year Ended June 30, 2005

	Balances at July 1, 2004	Additions	Deductions	Balances at June 30, 2005
Liabilities (continued):				
Due to student organizations (continued):				
Intermediate Schools:				
Bryant	\$ 31,067	\$ 68,899	\$ (69,466)	\$ 30,500
Clayton	59,318	64,257	(75,725)	47,850
Glendale	30,569	17,847	(25,139)	23,277
Hillside	39,479	45,479	(54,248)	30,710
Northwest	15,491	37,324	(36,130)	16,685
Total intermediate schools	175,924	233,806	(260,708)	149,022
High Schools:				
East	384,726	631,598	(622,597)	393,727
Highland	430,947	911,168	(879,194)	462,921
Horizonte	87,870	329,621	(349,799)	67,692
West	416,575	966,403	(1,017,316)	365,662
Total high schools	1,320,118	2,838,790	(2,868,906)	1,290,002
Total due to student organizations	\$ 2,103,467	\$ 3,674,507	\$ (3,728,032)	\$ 2,049,942

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SALT LAKE CITY SCHOOL DISTRICT

General Fund Expenditures Necessary to Educate a District Student for Graduation in June 2005

		Grade Level	Current (Actual) Dollars Expended By Year	Constant (Inflation Adjusted) Dollars Using 2005 as Base Year
<u>Elementary School</u>				
Begin kindergarten (1/2)				
	1992-93	K	\$ 1,646	\$ 2,232
	1993-94	1	3,451	4,589
	1994-95	2	3,637	4,688
	1995-96	3	3,882	4,880
	1996-97	4	4,146	5,099
	1997-98	5	4,384	5,287
<u>Secondary Schools</u>				
Enter intermediate school	1998-99	6	4,769	5,612
	1999-00	7	5,035	5,721
Enter high school	2000-01	8	5,355	5,823
	2001-02	9	5,480	5,880
	2002-03	10	5,515	5,805
	2003-04	11	5,720	5,859
	2004-05	12	6,235	6,235
Total Average Per Student Expenditures			\$ <u>59,255</u>	\$ <u>67,710</u>

Notes:

The current year dollar expenditures are those of the General Fund averaged by year for all students K-12.

The constant dollar expenditures are reported after allowing for inflation using the CPI-U factors as reported by the U. S. Department of Labor.

SALT LAKE CITY SCHOOL DISTRICT

General Fund Expenditures by Function

Years Ended June 30, 2005 through 1996

Function	Total Expenditures				
	2004-05	2003-04	2002-03	2001-02	2000-01
Instruction	\$ 100,174,972	\$ 92,038,844	\$ 91,918,024	\$ 92,892,867	\$ 90,555,714
Support Services to Instruction:					
Counseling and Child Accounting	4,687,110	4,539,965	4,296,342	4,354,558	4,017,858
Media Services and Educational Supervision	11,655,995	10,660,170	9,723,036	9,681,025	8,821,689
General District Administration	360,833	339,133	819,258	754,306	592,215
General School Administration	7,780,109	7,408,795	7,193,298	7,165,052	6,844,735
Business Services	1,601,310	1,623,693	979,215	993,335	968,320
Operation and Maintenance of School Buildings	13,209,340	12,992,156	13,023,744	13,184,271	16,398,795
Student Transportation	3,463,364	3,366,309	2,929,302	2,745,967	2,539,994
Personnel and Information Systems	2,388,225	2,152,383	2,530,623	2,191,723	1,510,814
Total	<u>\$ 145,321,258</u>	<u>\$ 135,121,448</u>	<u>\$ 133,412,842</u>	<u>\$ 133,963,104</u>	<u>\$ 132,250,134</u>

Total Expenditures

1999-00	1998-99	1997-98	1996-97	1995-96
\$ 87,969,253	\$ 85,166,159	\$ 79,407,107	\$ 74,864,294	\$ 69,973,362
3,904,451	3,796,921	3,433,728	3,070,971	2,769,538
8,348,550	7,953,289	7,679,016	7,047,157	6,635,234
516,363	731,826	583,374	556,287	412,020
6,395,112	6,135,624	5,786,472	5,881,908	5,455,018
936,728	940,606	934,769	901,141	824,886
13,167,716	11,312,831	10,395,487	10,003,426	9,373,947
2,745,687	2,238,117	2,063,537	1,790,615	1,750,878
1,578,402	1,371,581	1,295,347	1,203,347	1,073,903
<u>\$ 125,562,262</u>	<u>\$ 119,646,954</u>	<u>\$ 111,578,837</u>	<u>\$ 105,319,146</u>	<u>\$ 98,268,786</u>

SALT LAKE CITY SCHOOL DISTRICT

General Fund Expenditures Per Pupil by Function

Years Ended June 30, 2005 through 1996

Function	Per Pupil Expenditures				
	2004-05	2003-04	2002-03	2001-02	2000-01
Instruction	\$ 4,298	\$ 3,896	\$ 3,800	\$ 3,800	\$ 3,667
Support Services to Instruction:					
Counseling and Child Accounting	201	192	178	178	163
Media Services and Educational Supervision	500	451	402	396	357
General District Administration	15	14	34	31	24
General School Administration	334	314	297	293	277
Business Services	69	69	40	41	39
Operation and Maintenance of School Buildings	567	550	538	539	664
Student Transportation	149	143	121	112	103
Personnel and Information Systems	102	91	105	90	61
Total	<u>\$ 6,235</u>	<u>\$ 5,720</u>	<u>\$ 5,515</u>	<u>\$ 5,480</u>	<u>\$ 5,355</u>
Average daily membership	23,310	23,623	24,190	24,443	24,696

Per Pupil Expenditures

1999-00	1998-99	1997-98	1996-97	1995-96
\$ 3,527	\$ 3,395	\$ 3,120	\$ 2,947	\$ 2,765
157	151	135	121	109
335	317	302	277	262
21	29	23	22	16
256	245	227	232	216
38	37	37	35	33
528	451	408	394	370
110	89	81	71	69
63	55	51	47	42
\$ 5,035	\$ 4,769	\$ 4,384	\$ 4,146	\$ 3,882
24,944	25,083	25,454	25,400	25,309

SALT LAKE CITY SCHOOL DISTRICT

General Fund Expenditures Per Pupil by Function On a Constant Dollar/Inflation Adjusted Basis Using 2005 as a Base Year

Years Ended June 30, 2005 through 1996

Function	Per Pupil Expenditures (2005 Base Year)				
	2004-05	2003-04	2002-03	2001-02	2000-01
Instruction	\$ 4,298	\$ 3,991	\$ 4,000	\$ 4,078	\$ 3,989
Support services to instruction:					
Counseling and Child Accounting	201	197	187	191	177
Media Services and Educational Supervision	500	462	423	425	388
General District Administration	15	14	36	33	26
General School Administration	334	322	313	314	301
Business Services	69	71	42	44	42
Operation and Maintenance of School Buildings	567	563	566	578	722
Student transportation	149	146	127	120	112
Personnel and Information Systems	102	93	111	97	66
Total	\$ 6,235	\$ 5,859	\$ 5,805	\$ 5,880	\$ 5,823
Average daily membership	23,310	23,623	24,190	24,443	24,696

Per Pupil Expenditures (2005 Base Year)

1999-00	1998-99	1997-98	1996-97	1995-96
\$ 4,007	\$ 3,994	\$ 3,762	\$ 3,624	\$ 3,476
178	178	163	149	137
381	373	364	341	329
24	34	28	27	20
291	288	274	285	272
43	44	45	43	41
600	531	492	485	465
125	105	98	87	87
72	65	61	58	53
\$ <u>5,721</u>	\$ <u>5,612</u>	\$ <u>5,287</u>	\$ <u>5,099</u>	\$ <u>4,880</u>
24,944	25,083	25,454	25,400	25,309

SALT LAKE CITY SCHOOL DISTRICT

General Fund Revenues by Source

Years Ended June 30, 1996 to 2005

Fiscal Year	Property Taxes	Interest on Investments	Miscellaneous Local	State Sources	Federal Sources	Total Sources
1995-96	\$ 40,828,916	\$ 2,453,044	\$ 1,426,139	\$ 49,707,137	\$ 5,921,991	\$ 100,337,227
1996-97	39,401,554	2,419,299	1,454,808	59,066,745	5,474,010	107,816,416
1997-98	42,722,874	2,856,747	1,484,968	61,500,993	6,909,302	115,474,884
1998-99	43,734,776	2,619,798	1,401,813	65,848,381	7,336,881	120,941,649
1999-00	48,769,509	3,136,996	1,686,823	63,632,117	8,136,045	125,361,490
2000-01	52,350,340	3,786,759	2,017,725	65,549,967	8,903,930	132,608,721
2001-02	50,992,330	1,547,171	2,258,528	70,089,622	9,208,045	134,095,696
2002-03	50,013,444	1,453,016	2,897,284	67,713,689	9,847,036	131,924,469
2003-04	51,586,978	626,485	3,067,047	67,970,207	12,191,566	135,442,283
2004-05	54,631,176	1,069,495	3,120,073	69,922,001	14,483,282	143,226,027

SALT LAKE CITY SCHOOL DISTRICT

Summary of Taxable Value

Calendar Years Ending December 31, 2004, 2003, and 2002

	2004 Taxable Value	Percent of 2004	2003 Taxable Value	Percent of 2003	2002 Taxable Value	Percent of 2002
CENTRALLY ASSESSED PROPERTIES:	\$ 2,060,112,828	12.85 %	\$ 1,934,054,794	12.95 %	\$ 2,118,713,906	13.81 %
REAL PROPERTY:						
Primary Residential	5,275,500,947	32.90	5,055,390,082	33.84	5,032,529,629	32.80
Other Residential	98,796,390	0.62	107,641,420	0.72	97,037,270	0.63
Commercial and Industrial	5,487,885,450	34.23	5,397,884,680	36.14	5,409,017,340	35.25
Farmland Assessment Act (FAA)	408,210	0.00	4,824,170	0.03	3,814,540	0.02
Unimproved Non FAA	46,590	0.00	46,740	0.00	76,770	0.00
Total Real Property	10,862,637,587	67.75	10,565,787,092	70.73	10,542,475,549	68.70
PERSONAL PROPERTY:						
Primary Mobile Homes	4,658,860	0.03	5,578,546	0.04	5,513,431	0.04
Secondary Mobile Homes	2,749,493	0.02	3,032,274	0.02	2,429,626	0.02
Other Business Personal	1,440,125,458	8.98	1,564,068,562	10.47	1,615,857,011	10.53
Total Personal Property	1,447,533,811	9.03	1,572,679,382	10.53	1,623,800,068	10.59
FEE-IN-LIEU PROPERTY:	1,664,119,899	10.37	864,761,464	5.79	1,059,932,794	6.90
TOTAL TAXABLE VALUE	<u>\$ 16,034,404,125</u>	<u>100.00 %</u>	<u>\$ 14,937,282,732</u>	<u>100.00 %</u>	<u>\$ 15,344,922,317</u>	<u>100.00 %</u>

Source: Utah State Tax Commission

SALT LAKE CITY SCHOOL DISTRICT

Five-Year Financial Summary General Fund Balance Sheet June 30, 2005 through 2001

	2005	2004	2003	2002	2001
Assets					
Cash and cash equivalents	\$ 44,012,715	\$ 44,326,829	\$ 46,480,759	\$ 39,270,714	\$ 42,218,653
Receivables:					
Property taxes	58,167,599	59,732,256	56,327,718	58,081,799	48,936,901
Other local	973,125	945,259	467,427	354,831	443,207
State of Utah	216,786	155,135	228,827	4,200,225	78,832
Federal government	6,043,612	5,200,018	2,768,623	4,195,234	1,922,911
Due from other funds	-	-	-	2,604,038	1,063,731
Inventories	424,179	348,748	317,658	281,325	329,999
Prepaid expenditures	224,979	249,750	283,494	867,417	504,031
Total assets	\$ 110,062,995	\$ 110,957,995	\$ 106,874,506	\$ 109,855,583	\$ 95,498,265
Liabilities and fund balance					
Liabilities:					
Accounts payable	\$ 6,378,376	\$ 1,629,548	\$ 2,516,452	\$ 1,808,061	\$ 1,727,179
Accrued salaries and related benefits	17,521,907	19,198,286	16,851,084	18,293,782	12,734,444
Deferred revenue:					
Property taxes	58,453,558	59,983,245	56,706,641	58,361,484	49,780,505
Other local	25,859	19,860	73,123	17,997	136,918
State of Utah	4,199,568	4,545,105	5,463,415	4,620,583	4,632,385
Federal government	856	3,849	6,524	8,036	52,549
Total liabilities	86,580,124	85,379,893	81,617,239	83,109,943	69,063,980
Fund Balance					
Reserved:					
Encumbrances	-	-	-	292,880	173,629
Inventories	424,179	348,748	317,658	281,325	329,999
Prepaid expenditures	224,979	249,750	283,494	867,417	504,031
Unreserved:					
Designated for:					
General contingencies	7,000,000	6,500,000	5,000,000	5,000,000	5,000,000
Programs	382,879	98,047	25,101	62,617	-
Schools	2,966,566	2,625,988	2,208,674	1,708,414	2,215,375
Undesignated	12,484,268	15,755,569	17,422,340	18,532,987	18,211,251
Total fund balance	23,482,871	25,578,102	25,257,267	26,745,640	26,434,285
Total liabilities and fund balance	\$ 110,062,995	\$ 110,957,995	\$ 106,874,506	\$ 109,855,583	\$ 95,498,265

SALT LAKE CITY SCHOOL DISTRICT

Five Year Financial Summary

General Fund

Revenue, Expenditures, and Changes in Fund Balances

Years Ended June 30, 2005 through 2001

	2005	2004	2003	2002	2001
Revenues:					
Property taxes	\$ 54,631,176	\$ 51,586,978	\$ 50,013,444	\$ 51,459,447	\$ 52,350,340
Interest on investments	1,069,495	626,485	1,453,016	1,547,171	3,786,759
Other local revenue	3,120,073	3,067,047	2,897,284	2,258,528	2,017,725
State of Utah	69,922,001	67,970,207	67,713,689	70,089,622	65,549,967
Federal government	14,483,282	12,191,566	9,847,036	9,208,045	8,903,930
Total revenues	143,226,027	135,442,283	131,924,469	134,562,813	132,608,721
Expenditures:					
Instruction	100,174,972	92,038,844	91,918,024	92,892,867	90,665,743
Counseling and child accounting	4,687,110	4,539,965	4,296,342	4,354,558	4,017,423
Media services & educational supervision	11,655,995	10,660,170	9,723,036	9,681,025	8,855,217
General district administration	360,833	339,133	819,258	754,306	592,215
General school administration	7,780,109	7,408,795	7,193,298	7,165,052	6,844,735
Business services	1,601,310	1,623,693	979,215	993,335	968,095
Operation & maintenance of school buildings	13,209,340	12,992,156	13,023,744	13,184,271	16,400,577
Student transportation	3,463,364	3,366,309	2,929,302	2,745,967	2,572,722
Personnel and information services	2,388,225	2,152,383	2,530,623	2,191,723	1,508,399
Total expenditures	145,321,258	135,121,448	133,412,842	133,963,104	132,425,126
Excess (deficiency) revenues over (under) expenditures	(2,095,231)	320,835	(1,488,373)	599,709	183,595
Other financing uses:					
Operating transfer out	-	-	-	288,354	41,785
Change in fund balance	(2,095,231)	320,835	(1,488,373)	311,355	141,810
Fund balance - beginning	25,578,102	25,257,267	26,745,640	26,434,285	26,292,475
Fund balance - ending	\$ 23,482,871	\$ 25,578,102	\$ 25,257,267	\$ 26,745,640	\$ 26,434,285

SALT LAKE CITY SCHOOL DISTRICT

Five Year Financial Summary

Statement of Net Assets - Governmental Activities

June 30, 2005 through 2001

	2005	2004	2003	2002	2001
Assets:					
Cash and investments	\$ 87,333,972	\$ 83,890,232	\$ 107,473,832	\$ 65,020,609	\$ 68,238,189
Receivables					
Property taxes	88,348,645	88,623,525	83,703,902	83,310,132	66,976,550
Other local	907,776	1,076,434	588,129	607,011	930,155
State of Utah	477,558	461,973	557,456	5,184,005	356,768
Federal government	8,043,703	7,043,975	3,610,023	7,356,435	2,872,448
Due from component unit	313,079	261,024	150,112	99,119	-
Inventories	1,032,792	888,687	791,421	710,250	1,125,923
Prepaid expenses	310,237	280,723	292,385	971,347	820,597
Bond issuance costs, net	780,508	662,974	705,231	289,979	-
Capital assets					
Sites and construction in progress	70,294,119	61,348,824	42,635,256	47,489,952	78,663,862
Buildings, equipment, and vehicles, net	217,695,334	200,046,335	194,648,348	177,554,904	114,835,408
Total assets	<u>475,537,723</u>	<u>444,584,706</u>	<u>435,156,095</u>	<u>388,593,743</u>	<u>334,819,900</u>
Liabilities:					
Accounts payable	7,275,997	8,436,855	5,929,545	7,712,470	9,046,886
Accrued interest	1,369,127	1,549,407	1,729,687	1,145,038	884,952
Accrued salaries and related benefits	17,521,907	19,198,286	16,851,084	18,293,782	12,734,444
Deferred revenues:					
Property taxes	85,900,507	85,833,020	79,782,468	78,755,464	75,072,127
Other local sources	799,725	686,773	773,319	208,956	611,782
State of Utah	4,249,684	4,573,306	5,627,298	4,721,802	4,700,526
Federal government	856	3,849	6,524	8,036	194,074
Noncurrent liabilities					
Due within one year	9,566,579	8,102,180	9,936,530	5,959,348	5,799,419
Due after one year	138,296,796	111,603,282	115,493,150	75,555,195	54,159,418
Total liabilities	<u>264,981,178</u>	<u>239,986,958</u>	<u>236,129,605</u>	<u>192,360,091</u>	<u>163,203,628</u>
Net Assets:					
Invested in capital assets, net of related debt	160,495,660	149,879,564	159,535,207	149,029,009	138,719,270
Restricted for:					
Special programs	1,481,871	974,069	929,333	1,293,849	303,708
Child nutrition	2,119,030	1,647,674	810,292	179,976	-
Debt service	-	-	-	586,164	-
Capital projects	20,828,545	24,339,503	9,444,111	14,491,434	9,688,858
Unrestricted	25,631,439	27,756,938	28,307,547	30,653,220	22,904,436
Total net assets	<u>\$ 210,556,545</u>	<u>\$ 204,597,748</u>	<u>\$ 199,026,490</u>	<u>\$ 196,233,652</u>	<u>\$ 171,616,272</u>

SALT LAKE CITY SCHOOL DISTRICT

Property Tax Revenues by Fund

Years Ended June 30, 1996 to 2005

Fiscal Year	General Fund	Special Programs Fund	Capital Projects Fund	Debt Service Fund	Total All Funds
1995-96	\$ 40,828,916	\$ 1,740,433	\$ 14,114,109	\$ 3,776,829	\$ 60,460,287
1996-97	39,401,554	1,964,851	15,865,195	3,502,122	60,733,722
1997-98	42,722,874	1,465,135	15,974,374	3,532,434	63,694,817
1998-99	43,734,776	1,484,853	16,666,242	5,047,018	66,932,889
1999-00	48,769,509	1,566,446	17,737,050	5,895,348	73,968,353
2000-01	52,350,340	1,611,804	16,424,420	6,087,559	76,474,123
2001-02	50,992,330	1,621,132	15,820,226	6,149,673	74,583,361
2002-03	50,013,444	1,523,088	14,219,003	6,331,736	72,087,271
2003-04	51,586,978	1,641,876	16,286,639	11,047,620	80,563,113
2004-05	54,631,176	2,170,935	15,567,704	10,607,486	82,977,301

Note:

In 2002-03, the method of recognizing property tax revenue was changed. 2001-02 was restated to reflect this change, however, all other preceding years were not restated.

SALT LAKE CITY SCHOOL DISTRICT

Property Tax Assessment and Collections

Years Ended June 30, 1996 to 2005

Fiscal Year	(2) Taxes Assessed	Current Collections	Current Collection Percentage of Taxes Assessed	Delinquent Collections	Total Tax Collections	Total Collections as Percent of Current Assessment
1995-96	\$ 62,404,646	\$ 59,069,371	94.66 %	\$ 1,390,916	\$ 60,460,287	96.88 %
1996-97	61,605,999	59,783,658	97.04	950,064	60,733,722	98.58
1997-98	65,225,778	62,825,583	96.32	869,234	63,694,817	97.65
1998-99	70,630,377	65,979,573 (1)	93.42	953,316	66,932,889	94.77
1999-00	75,962,428	72,967,883	96.06	1,000,470	73,968,353	97.37
2000-01	78,079,889	75,339,698	96.49	1,134,425	76,474,123	97.94
2001-02	77,106,999	73,407,781	95.20	1,175,580	74,583,361	96.73
2002-03	76,309,260	70,611,825	92.53	1,475,446	72,087,271	94.47
2003-04	80,461,436	78,419,210	97.46	2,143,903	80,563,113	100.13
2004-05	83,864,821	79,865,201	95.23	3,112,101	82,977,302	98.94

Note

- (1) Current collections of taxes in 1998-99 were reduced by a one time refund to US West for \$1,650,890. If this refund had not occurred current collections would have been \$67,690,214 or 96.25% of taxes assessed total collections would have been \$68,643,530 or 97.61% of current assessment
- (2) Taxes assessed includes the fee in lieu of property tax on motor vehicles. Excludes redevelopment.
- (3) In 2002-03, the method of recognizing property tax revenue was changed. 2001-02 was restated to reflect this change, however, all other preceding years were not restated.

SALT LAKE CITY SCHOOL DISTRICT

Assessed and Estimated Actual

Value of Taxable Property

Years Ended June 30, 1996 to 2005

Dollars in thousands

Fiscal Year	Taxable Value	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
1995-96	\$ 9,576,268	\$ 12,260,198	78%
1996-97	10,705,249	13,799,609	78
1997-98	12,013,122	15,467,054	78
1998-99	12,711,660	16,354,831	78
1999-00	13,317,246	17,045,597	78
2000-01	14,035,130	17,867,906	79
2001-02	15,239,663	19,175,788	79
2002-03	15,344,922	19,466,958	79
2003-04	14,937,283	19,078,075	78
2004-05	16,034,404	19,444,313	82

Source: Utah State Tax Commission

SALT LAKE CITY SCHOOL DISTRICT

Historical Property Tax Rates by Fund

Years Ended June 30, 1996 to 2005

Fiscal Year	Total Funds	General Fund	Special Programs Fund	Debt Service Fund	Capital Projects Fund
<u>Tax Rates per \$1</u>					
1995-96	.007029	.004670	.000200	.000442	.001717
1996-97	.006268	.004076	.000187	.000364	.001641
1997-98	.005907	.003978	.000129	.000327	.001473
1998-99	.006063	.003962	.000134	.000458	.001509
1999-00	.005920	.003871	.000127	.000479	.001443
2000-01	.005741	.003930	.000121	.000288	.001402
2001-02	.005585	.003825	.000121	.000283	.001356
2002-03	.005573	.003860	.000118	.000486	.001109
2003-04	.006018	.003883	.000121	.000814	.001200
2004-05	.006039	.003975	.000158	.000772	.001134

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Property Tax Rates - Direct and Overlapping Governments

Years Ended June 30, 1996 to 2005

	Salt Lake City School District	Salt Lake City Corporation	Salt Lake County	Central Utah Water District	S.L.C. Metropolitan Water District	Mosquito Abatement District
<u>Tax Rates per \$1</u>						
1995-96	.007029	.004771	.003831	.000349	.000319	.000088
1996-97	.006268	.004662	.003782	.000342	.000312	.000082
1997-98	.005907	.004387	.003551	.000400	.000294	.000077
1998-99	.006063	.004551	.002805	.000397	.000289	.000080
1999-00	.005920	.004916	.002566	.000377	.000271	.000076
2000-01	.005741	.004916	.002904	.000377	.000271	.000073
2001-02	.005585	.005069	.003025	.000369	.000267	.000072
2002-03	.005573	.005267	.002939	.000358	.000261	.000070
2003-04	.006018	.005458	.002868	.000358	.002690	.000072
2004-05	.006039	.005540	.002816	.000353	.000264	.000138

Source: Utah State Tax Commission - Property Tax Division

SALT LAKE CITY SCHOOL DISTRICT

Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt per Capita

Years Ended June 30, 1996 to 2005

Fiscal Year	Estimated Population	Taxable Value (in thousands)	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Net Bonded Debt as a Percentage of Taxable Value	Net Bonded Debt per Capita
1995-96	171,478	\$ 9,576,268	\$ 38,860,000	\$ 1,591,319	\$ 37,268,681	0.39 %	\$ 217
1996-97	172,178	10,705,249	35,850,000	92,527	35,757,473	0.33	208
1997-98	172,880	12,013,122	34,740,000	-	34,740,000	0.29	201
1998-99	173,858	12,711,660	41,600,000	229,911	41,370,089	0.33	238
1999-00	181,931	13,317,246	57,825,000	334,640	57,490,360	0.43	316
2000-01	182,529	14,035,130	54,780,000	585,378	54,194,622	0.39	297
2001-02	183,056	15,239,663	75,982,722	486,996	75,495,726	0.50	412
2002-03	179,894	15,344,922	118,077,722	341,010	117,736,712	0.77	654
2003-04	179,750	14,937,283	112,172,722	424,288	111,748,434	0.75	622
2004-05	178,605	16,034,040	140,667,722	109,812	140,557,910	0.88	787

SALT LAKE CITY SCHOOL DISTRICT

Computation of Direct and Overlapping General Obligation Debt Year Ended June 30, 2005

Governmental Unit	Debt	Applicable to School District	
		Percent	Amount
Salt Lake City School District			
General Obligation Bonds			
Total Direct Debt	\$ 140,667,722	100.00%	\$ 140,667,722
Overlapping Debt			
Salt Lake City	91,755,109	100.00	91,755,109
Salt Lake County	204,440,000	32.50	66,443,000
Total Overlapping Debt	296,195,109		158,198,109
Total Direct and Overlapping Debt	\$ 436,862,831		\$ 298,865,831

Computation of Legal Debt Margin

June 30, 2005

Valuations:

Taxable value of all property	\$ 16,034,404,125
Fair market value of all property	\$ 19,444,313,097
Debt limit at 4% of total fair market value	777,772,524
Less outstanding general obligation bonds payable, net of deferred amounts on refunding and unamortized premiums and discounts	(140,383,513)
Debt Margin	\$ 637,389,011

Notes:

The General Obligation Bonded Debt of the District is limited by Utah law to 4% of the fair market value of the total taxable property in the District. For tax purposes primary residential property is assessed at 55% of its fair market value. All other taxable property is assessed at 100% of its fair market value.

SALT LAKE CITY SCHOOL DISTRICT

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures

Years Ended June 30, 1996 to 2005

Fiscal Year	Principal	Interest and Paying Agents' Fees	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures
1995-96	\$ 1,430,572	\$ 820,000	\$ 2,250,572	\$ 98,268,786	2.29
1996-97	3,010,000	2,047,694	5,057,694	105,319,146	4.80
1997-98	1,865,000	1,997,591	3,862,591	111,578,837	3.46
1998-99	3,140,000	1,758,131	4,898,131	119,754,112	4.09
1999-00	3,775,000	2,088,683	5,863,683	125,378,288	4.68
2000-01	3,045,000	2,886,744	5,931,744	132,425,126	4.48
2001-02	3,540,000	2,877,110	6,417,110	133,963,104	4.79
2002-03	4,180,000	3,341,503	7,521,503	133,412,842	5.64
2003-04	5,905,000	5,083,712	10,988,712	135,121,448	8.13
2004-05	6,265,000	4,839,032	11,104,032	145,321,258	7.64

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SALT LAKE CITY SCHOOL DISTRICT

Bonded Debt Amortization Schedule

June 30, 2005

Year	Series 1996A		Series 1997		Series 1998		Series 1999	
Ending	\$15,000,000		\$15,000,000		10,000,000.00		\$10,000,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	1,330,000	196,590	935,000	414,120	300,000	264,155	385,000	110,250
2007	0 (1)	0	985,000	372,980	315,000	247,655	405,000	91,000
2008	0 (1)	0	1,025,000	329,147	325,000	230,487	420,000	70,750
2009			1,075,000	282,510	0 (2)	0	995,000	49,750
2010			1,125,000	232,523	0 (2)	0	0 (3)	0
2011			1,180,000	179,647	0 (2)	0	0 (3)	0
2012			1,235,000	123,598	0 (2)	0	0 (3)	0
2013			1,300,000	63,700	0 (2)	0	0 (3)	0
2014					0 (2)	0	0 (3)	0
2015					0 (2)	0	0 (3)	0
2016					0 (2)	0	0 (3)	0
2017					0 (2)	0	0 (3)	0
2018					0 (2)	0	0 (3)	0
2019							0 (3)	0
Totals	\$ 1,330,000	\$ 196,590	\$ 8,860,000	\$ 1,998,225	\$ 940,000	\$ 742,297	\$ 2,205,000	\$ 321,750

Year	Series 2000		Series 2001B		Series 2001QZAB		Series 2002A	
Ending	\$10,000,000		\$10,000,000		\$4,742,722		\$10,000,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	380,000	162,380	390,000	379,583		39,554	370,000	407,711
2007	400,000	143,380	405,000	363,983		39,554	385,000	392,912
2008	405,000	123,380	420,000	347,782		39,555	400,000	377,511
2009	990,000	102,725	435,000	330,983		39,554	415,000	361,511
2010	995,000	51,740	455,000	313,583		39,554	430,000	344,911
2011	0 (4)	0	470,000	295,382		39,555	445,000	327,711
2012	0 (4)	0	0 (5)	0		39,554	465,000	309,467
2013	0 (4)	0	0 (5)	0		39,554	0 (6)	0
2014	0 (4)	0	0 (5)	0		39,555	0 (6)	0
2015	0 (4)	0	0 (5)	0		39,554	0 (6)	0
2016	0 (4)	0	0 (5)	0	4,742,722	39,554	0 (6)	0
2017	0 (4)	0	0 (5)	0			0 (6)	0
2018	0 (4)	0	0 (5)	0			0 (6)	0
2019	0 (4)	0	0 (5)	0			0 (6)	0
2020	0 (4)	0	0 (5)	0			0 (6)	0
2021			0 (5)	0			0 (6)	0
Totals	\$ 3,170,000	\$ 583,605	\$ 2,575,000	\$ 2,031,296	\$ 4,742,722	\$ 435,097	\$ 2,910,000	\$ 2,521,734

(1) The principal and interest due in fiscal 2007 through 2008 on the Series 1996A bonds were refunded, resulting in the defeasance of the old debt and substitution of the "Refunding Bonds" Series of 2005B.

(2) The principal and interest due in fiscal 2009 through 2018 on the Series 1998 bonds were refunded, resulting in the defeasance of the old debt and substitution of the "Refunding Bonds" Series of 2005B.

(3) The principal and interest due in fiscal 2010 through 2019 on the Series 1999 bonds were refunded resulting, in the defeasance of the old debt and substitution of the "Refunding Bonds" Series of 2002B.

(4) The principal and interest due in fiscal 2011 through 2020 on the Series 2000 bonds were refunded, resulting in the defeasance of the old debt and substitution of the "Refunding Bonds" Series of 2002B.

(5) The principal and interest due in fiscal 2012 through 2021 on the Series 2001B bonds were refunded, resulting in the defeasance of the old debt and substitution of the "Refunding Bonds" Series of 2005B.

(6) The principal and interest due in fiscal 2013 through 2022 on the Series 2002A bonds were refunded, resulting in the defeasance of the old debt and substitution of the "Refunding Bonds" Series of 2005B.

(7) In addition to the above, there is an annual Paying Agent fee of \$500 that must be added to the debt service listed for the Series 1997 and for the subsequent bond issues.

Year	Series 2002B		Series 2002C		Series 2003A	
Ending June 30	\$12,315,000		\$6,105,000		\$45,000,000	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	70,000	522,943	600,000	199,513	1,735,000	1,739,218
2007	80,000	520,842	615,000	181,662	1,765,000	1,695,844
2008	80,000	518,043	630,000	163,213	1,805,000	1,647,306
2009	80,000	515,042	660,000	141,163	1,855,000	1,590,900
2010	1,100,000	511,843	680,000	116,412	1,910,000	1,525,975
2011	945,000	467,842	710,000	90,725	1,970,000	1,454,350
2012	980,000	430,042	740,000	62,325	2,035,000	1,375,550
2013	1,015,000	390,843	770,000	32,725	2,110,000	1,294,150
2014	1,065,000	349,228			2,190,000	1,209,750
2015	1,110,000	303,965			2,275,000	1,122,150
2016	1,160,000	256,235			2,370,000	1,028,306
2017	1,205,000	205,195			2,465,000	927,581
2018	1,255,000	150,970			2,570,000	819,738
2019	1,320,000	93,240			2,685,000	707,300
2020	650,000	31,200			2,805,000	586,475
2021					2,930,000	460,250
2022					3,065,000	313,750
2023					3,210,000	160,500
2024						
2025						
Totals	\$ 12,115,000	\$ 5,267,473	\$ 5,405,000	\$ 987,738	\$ 41,750,000	\$ 19,659,093

Year	Series 2005A		Series 2005B		Grand Totals		
Ending June 30	\$35,000,000		\$19,665,000		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2006	1,285,000	1,378,105	135,000	786,128	7,915,000	6,600,250	14,515,250
2007	1,415,000	1,280,912	1,370,000	905,938	8,140,000	6,236,662	14,376,662
2008	1,450,000	1,238,462	1,465,000	861,412	8,425,000	5,947,048	14,372,048
2009	1,480,000	1,194,962	750,000	813,800	8,735,000	5,422,900	14,157,900
2010	1,520,000	1,150,563	865,000	783,800	9,080,000	5,070,904	14,150,904
2011	1,565,000	1,104,963	2,165,000	749,200	9,450,000	4,709,375	14,159,375
2012	1,610,000	1,050,188	2,785,000	640,950	9,850,000	4,031,674	13,881,674
2013	1,665,000	993,838	3,415,000	501,700	10,275,000	3,316,510	13,591,510
2014	1,720,000	935,562	5,755,000	330,950	10,730,000	2,865,045	13,595,045
2015	1,780,000	875,363	960,000	43,200	6,125,000	2,384,232	8,509,232
2016	0	804,162			8,272,722	2,128,257	10,400,979
2017	1,845,000	804,163			5,515,000	1,936,939	7,451,939
2018	1,915,000	730,363			5,740,000	1,701,071	7,441,071
2019	1,985,000	653,762			5,990,000	1,454,302	7,444,302
2020	2,065,000	574,362			5,520,000	1,192,037	6,712,037
2021	2,150,000	491,762			5,080,000	952,012	6,032,012
2022	2,240,000	403,075			5,305,000	716,825	6,021,825
2023	2,335,000	310,675			5,545,000	471,175	6,016,175
2024	2,435,000	211,438			2,435,000	211,438	2,646,438
2025	2,540,000	107,950			2,540,000	107,950	2,647,950
Totals	\$ 35,000,000	\$ 16,294,630	\$ 19,665,000	\$ 6,417,078	\$ 140,667,722	\$ 57,456,606	\$ 198,124,328

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Principal Property Taxpayers in Salt Lake City School District

Taxpayer	Business	December 31, 2004 Taxable Valuation	Percent of Total Taxable Value
Sky West Air Lines	Air Transportation	\$ 290,884,916	1.8 %
Corporation of Presiding Bishop of Church of Jesus Christ of Latter-day Saints	Religious	279,559,660	1.7
Pacificorp	Electric Utility	277,192,652	1.7
Qwest Communications	Communications	254,947,558	1.6
Delta Air Lines	Air Transportation	254,450,798	1.6
AT&T (including wireless)	Communications	172,484,311	1.1
Sinclair Oil	Petroleum	110,893,190	0.7
Gateway Associates	Real Estate Holding	99,084,000	0.6
Southwest Airlines	Real Estate Holding	87,551,620	0.5
Wasatch Plaza Holdings	Real Estate Holding	86,317,700	0.5
Total		<u>\$ 1,913,366,405</u>	<u>10.0 %</u>

Source: Salt Lake City Corporation

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Insurance in Force

June 30, 2005

Type	Expiration Date	Details of Coverage	Limits
			Replacement up to
<u>Blanket Property & Fidelity</u>	Until cancelled	\$ 1,000 deductible	\$ 10,000,000
(a) Boiler & Machinery			
(b) Blanket Bond-Employee Fidelity			
<u>Public Treasurer Fidelity</u>	Until cancelled		\$ 4,100,000
<u>Liability</u>	Until cancelled	No deductible	\$ 10,000,000
(a) General Liability			
(b) Auto Liability			
(c) Personal Injury			
(d) Errors and Omissions			
(e) Malpractice Liability			
(f) No Fault			
(g) Uninsured Motorist			
(h) Garage Keepers			
<u>Automobile Physical Damage</u>	Until cancelled	\$ 500 deductible	Actual value
(a) Buses			
(b) Driver Training			
(c) All Others			
<u>Total Annual Premium</u>			\$ <u>484,864</u>

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Property Value and Construction

Years Ended June 30, 1996 to 2005

Dollar amounts expressed in thousands

Fiscal Year	Commercial Construction (1)		Residential Construction (2)		Taxable Property Value
	Number of Permits	Value	Number of Units	Value	
1995-96	1,297	\$ 263,962	860	\$ 72,854	\$ 9,625,742
1996-97	1,384	224,351	318	34,460	10,705,249
1997-98	1,286	379,468	501	56,872	12,013,122
1998-99	1,370	261,778	385	49,174	12,711,660
1999-00	1,440	337,925	381	59,061	12,969,718
2000-01	1,161	315,914	823	75,001	14,035,130
2001-02	892	191,953	523	55,665	15,239,663
2002-03	790	136,062	209	21,467	15,344,922
2003-04	825	178,447	456	113,621	14,937,283
2004-05	1,136	238,546	530	79,095	16,034,404

Notes:

- (1) Source: Building permits issued by the Salt Lake City Building and Housing Services, including alterations.
- (2) Source: Number of family units from building permits issued by the Salt Lake City Building and Housing Services, not including alterations.

SALT LAKE CITY SCHOOL DISTRICT

Schedule of Average Daily Membership (ADM)

Years Ending June 30, 1980 to 2005

Fiscal Year	ADM
1979-80	23,201
1980-81	23,426
1981-82	23,909
1982-83	24,641
1983-84	24,579
1984-85	24,764
1985-86	24,769
1986-87	24,581
1987-88	24,474
1988-89	24,338
1989-90	24,401
1990-91	24,897
1991-92	25,249
1992-93	25,261
1993-94	25,410
1994-95	25,083
1995-96	25,309
1996-97	25,400
1997-98	25,454
1998-99	25,083
1999-00	24,944
2000-01	24,696
2001-02	24,443
2002-03	24,190
2003-04	23,623
2004-05	23,310

SALT LAKE CITY SCHOOL DISTRICT

History of High School Graduates

School Years 1986-87 to 2004-05

School Year	East	Highland	South	West	Horizonte	Total
1986-87	367	377	195	219	4	1,162
1987-88	355	335	197	234	14	1,135
1988-89	423	388	-	224	32	1,067
1989-90	357	408	-	225	-	990
1990-91	334	400	-	258	19	1,011
1991-92	298	352	-	313	39	1,002
1992-93	302	371	-	336	47	1,056
1993-94	323	395	-	312	104	1,134
1994-95	315	386	-	352	101	1,154
1995-96	398	406	-	411	121	1,336
1996-97	327	351	-	377	152	1,207
1997-98	308	420	-	297	142	1,167
1998-99	370	384	-	464	131	1,349
1999-00	381	450	-	394	121	1,346
2000-01	390	401	-	366	148	1,305
2001-02	326	368	-	383	125	1,202
2002-03	359	365	-	348	175	1,247
2003-04	331	346	-	380	119	1,176
2004-05	403	392	-	378	115	1,288

Note:

With completion of the 1987-88 school year, South High School was closed.

SALT LAKE CITY SCHOOL DISTRICT

District Employee and Staffing Levels Years Ended June 30, 2005 through 2001

	2004-05	2003-04	2002-03	2001-02	2000-01
<u>Teachers and Instructional Staff</u>					
Teachers	1,235	1,219	1,246	1,249	1,244
Non teacher specialist	38	38	34	34	32
Guidance staff	59	56	55	58	59
Librarians	41	41	43	42	42
Nurses	5	5	6	6	5
Psychologists	8	8	7	6	6
Sub Total	<u>1,386</u>	<u>1,367</u>	<u>1,391</u>	<u>1,395</u>	<u>1,388</u>
<u>Administration</u>					
Superintendent and assistants	4	4	5	5	5
Principals and assistant principals	50	50	52	54	54
Supervisors and directors	28	30	26	24	23
Specialists and Consultants	20	23	23	23	12
Sub Total	<u>102</u>	<u>107</u>	<u>106</u>	<u>106</u>	<u>94</u>
<u>Classified Employees</u>					
Classified instructional personnel	690	705	744	710	628
Clerical staff	137	141	147	150	150
Custodians	163	162	165	167	159
Food service staff	143	138	143	140	159
Other miscellaneous staff (1)	14	15	16	16	17
Maintenance-construction, warehouse, and A-V personnel	121	116	111	111	104
Student transportation services	62	65	64	61	64
Sub Total	<u>1,330</u>	<u>1,342</u>	<u>1,390</u>	<u>1,355</u>	<u>1,281</u>
Total Regular District	<u>2,818</u>	<u>2,816</u>	<u>2,887</u>	<u>2,856</u>	<u>2,763</u>
<u>Other Miscellaneous</u>					
Columbus Community Center	104	97	104	105	106
Sub Total	<u>104</u>	<u>97</u>	<u>104</u>	<u>105</u>	<u>106</u>
Grand Total	<u>2,922</u>	<u>2,913</u>	<u>2,991</u>	<u>2,961</u>	<u>2,869</u>

Note:

- (1) Other miscellaneous staff includes: accountants, programmers, purchasing buyer/agent personnel office manager, public information officer, and staff coordinator.

SALT LAKE CITY SCHOOL DISTRICT

Child Nutrition Facts and Figures

Years Ended June 30, 2005 to 1996

	2004-05	2003-04	2002-03	2001-02	2000-01
Number of schools participating in lunch program	45	45	46	43	43
Student Lunches Served:					
Free	1,683,795	1,603,149	1,552,912	1,470,253	1,431,823
Reduced price	300,695	304,772	326,966	349,300	340,978
Fully paid	549,758	566,669	590,786	632,737	685,232
Total	<u>2,534,248</u>	<u>2,474,590</u>	<u>2,470,664</u>	<u>2,452,290</u>	<u>2,458,033</u>
Adult Lunches Served:	53,800	58,430	59,692	60,924	68,760
Number of schools participating in breakfast program	39	38	39	38	38
Student Breakfasts Served:					
Free	763,293	746,675	725,439	643,524	611,285
Reduced price	114,772	115,779	126,271	131,587	118,197
Fully paid	69,495	68,972	64,598	64,240	70,507
Total	<u>947,560</u>	<u>931,426</u>	<u>916,308</u>	<u>839,351</u>	<u>799,989</u>
Number of serving days	178	177	178	178	178
Average Number of Meals Served Daily:					
Student lunch	14,237	13,981	13,880	13,777	13,809
Adult lunch	302	330	335	342	386
Student breakfast	5,323	5,262	5,148	4,715	4,494
Average daily membership	23,310	23,623	24,190	24,443	24,696
Student lunches served as a percentage of ADM	61.08%	59.18%	57.38%	56.36%	55.92%

Note:

In addition to the District's schools, there are several private schools that participate in the lunch program.

1999-00	1998-99	1997-98	1996-97	1995-96
43	42	42	42	44
1,380,589	1,327,057	1,271,933	1,364,688	1,336,196
327,799	328,783	317,024	296,580	276,315
<u>709,160</u>	<u>692,782</u>	<u>685,288</u>	<u>630,453</u>	<u>623,509</u>
<u>2,417,548</u>	<u>2,348,622</u>	<u>2,274,245</u>	<u>2,291,721</u>	<u>2,236,020</u>
68,384	74,795	72,411	85,343	77,647
41	40	37	36	36
541,693	496,764	496,311	491,789	479,745
101,860	97,508	96,347	89,488	76,406
<u>55,899</u>	<u>49,058</u>	<u>54,032</u>	<u>50,484</u>	<u>36,745</u>
<u>699,452</u>	<u>643,330</u>	<u>646,690</u>	<u>631,761</u>	<u>592,896</u>
178	178	178	179	179
13,582	13,195	12,777	12,803	12,492
384	420	407	477	434
3,930	3,614	3,633	3,529	3,312
24,944	25,083	25,454	25,400	25,309
54.45%	52.61%	50.20%	50.41%	49.36%

SALT LAKE CITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistical Data

Origin:

The Salt Lake City School District was created by Article X, Section 6 of the Constitution of the State of Utah, which was passed by a vote of the people on the first Tuesday of November, 1875 and accepted by the United States Government on January 4, 1896.

The School District is given the responsibility by the Constitution and statutes of educating all persons within its boundaries, kindergarten through grade twelve.

Schools:

During the 2004-05 fiscal year, the school district operated:

- 27 Elementary schools
- 5 Intermediate schools
- 4 High schools, and
- 3 Special schools

DEC 09 2005

SALT LAKE CITY SCHOOL DISTRICT

**SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS**

Year Ended June 30, 2005

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SALT LAKE CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	District's Program Number	(Deferral) Receivable July 1, 2004	Received	Expended	(Deferral) Receivable June 30, 2005
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through State Board of Education:							
Food Donation (Commodities)	10.550	n/a	0070	\$ -	\$ 569,718	\$ 569,718	\$ -
School Breakfast Program	10.553	44	0070	31,074	1,263,241	1,342,109	109,942
National School Lunch Program	10.555	42	0070	14,246	582,964	598,998	30,280
National School Lunch Program	10.555	43	0070	93,848	3,906,284	3,813,456	1,020
Child and Adult Care Food Program	10.558	47	0070	857	91,929	91,072	-
Summer Food Service Program for Children	10.559	48	5913	350,952	1,011,396	1,070,171	409,727
Passed Through Salt Lake County:							
Schools and Roads - Grants to States	10.665	n/a	0010	-	2,936	2,936	-
				490,977	7,428,468	7,488,460	550,969
U.S. DEPARTMENT OF DEFENSE:							
Direct:							
Naval Junior Reserve Officers Training	12.000	n/a	1610	15,016	116,491	114,808	13,333
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
Passed Through State Department of Community and Economic Development:							
Community Development Block Grants/State's Program	14.228	n/a	4247	5,839	14,172	8,333	-
U.S. DEPARTMENT OF EDUCATION:							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060	n/a	2574	29,618	103,051	73,433	-
Bilingual Education - Professional Development	84.288	n/a	2227	19,647	19,647	83,898	83,898
Twenty-First Century Community Learning Centers	84.287	n/a	2225/2229	550,903	1,258,667	707,764	-
Passed Through State Board of Education:							
Adult Education - State Grant Program	84.002	33	4216	-	405,754	405,754	-
Title I Grants To Local Educational Agencies	84.010	08	2206	1,924,521	6,636,243	7,221,370	2,509,648
Title I Program for Neglected and Delinquent Children	84.013	13	2214	16,292	16,292	16,940	16,940
Special Education - Grants to States	84.027	19	4524	982,569	3,843,706	4,688,382	1,827,245
Special Education - Grants to States	84.027	19	6122	77,776	77,776	-	-
Vocational Education - Basic Grants to States	84.048	21	5140	173,054	577,468	641,803	237,389
Advanced Placement Program	84.330	37	4209	6,172	6,172	11,440	11,440
Advanced Placement Program	84.330	89	1031	-	-	22,262	22,262
English Language Acquisition Grants	84.365	73	2230	263,470	274,564	597,331	586,237
Special Education - Preschool Grants	84.173	52	6174	169,047	172,178	172,654	169,523
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	2573	214,404	305,333	126,147	35,218
Education For Homeless Children and Youth	84.196	28	2223	5,748	29,908	35,638	11,478
Twenty-First Century Community Learning Centers	84.287	60	2228	316,212	755,001	924,889	486,100
Education Technology State Grants	84.318	07	2216	123,116	287,888	176,568	11,796
Innovative Education Program Strategies	84.298	90	4443	171,756	226,168	142,526	88,114
Grants for State Assessment and Related Activities	84.369	76	4270	-	-	6,000	6,000
Reading First State Grants	84.357	72	2666	414,393	1,022,760	841,503	233,136
Comprehensive School Reform Demonstration	84.332	27	2218	94,938	94,938	87,998	87,998
Improving Teacher Quality State Grants	84.367	74	4437	664,823	1,528,487	1,647,839	784,175
				6,218,459	17,642,001	18,632,139	7,208,597
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed Through State Department of Health:							
Consolidated Knowledge Development and Application (KD&A) Program	93.230	n/a	2575	37,500	187,500	150,000	-
Passed Through State Board of Education:							
Refugee and Entrant Assistance - Discretionary Grants	93.576	25	4269	57,305	57,305	34,461	34,461
Passed Through State Department of Workforce Services:							
Refugee and Entrant Assistance - State Administered Programs	93.566	n/a	4269	-	-	10,000	10,000
				94,805	244,805	194,461	44,461
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:							
Passed Through State Board of Education:							
Learn and Serve America - School and Community Based Programs	94.004	53	2579	19,635	23,484	17,147	13,298
Total federal financial awards				\$ 6,844,731	\$ 25,469,421	\$ 26,455,348	\$ 7,830,658

See accompanying notes to this schedule.

SALT LAKE CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Salt Lake City School District (District). The District reporting entity is defined in Note 1 to the District's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

Note 2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to the District's financial statements.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Donated food commodities are recorded at fair value at the date of contribution to the District.

Note 3. Relationship to District's Financial Statements

Federal awards expended on the schedule of expenditures of federal awards for the year ended June 30, 2005 are reconciled to the amounts reported in the District's financial statements as federal government revenues as follows:

General Fund	\$ 14,483,282
Child Nutrition Fund (Enterprise Fund)	6,834,626
Special Programs Fund (Special Revenue Fund)	<u>7,485,523</u>
Total amount reported in the financial statements	28,803,431
Service provider contracts not included on schedule	<u>(2,348,083)</u>
Schedule of Expenditures of Federal Awards	<u><u>\$ 26,455,348</u></u>



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Salt Lake City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salt Lake City School District as of and for the year ended June 30, 2005 and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salt Lake City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Salt Lake City School District in a separate letter dated September 16, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salt Lake City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters, which we have reported to management of Salt Lake City School District in a separate letter, dated September 16, 2005.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

September 16, 2005



**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Salt Lake City School District

Compliance

We have audited the compliance of Salt Lake City School District with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2005. Salt Lake City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Salt Lake City School District's management. Our responsibility is to express an opinion on Salt Lake City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salt Lake City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Salt Lake City School District's compliance with those requirements.

In our opinion, Salt Lake City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Salt Lake City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Salt Lake City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Salt Lake City School District as of and for the year ended June 30, 2005 and have issued our report thereon dated September 16, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

September 16, 2005

SALT LAKE CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

No matters were reported in the prior years.

SALT LAKE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

III. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? ☐ Yes ☒ No

-Reportable condition(s) identified that are not considered to be material weaknesses?
☐ Yes ☒ None reported

Noncompliance material to financial statements noted?
☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? ☐ Yes ☒ No

-Reportable condition(s) identified that are not considered to be material weakness(es)?
☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027	<i>Special Education Cluster:</i> Special Education – Grants to States
84.173	Special Education – Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 793,660

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

III. Financial statement findings:
No matters were reported.

III. Federal award findings and questioned costs:
No matters were reported.



**Independent Auditor's Report on Legal Compliance in
Accordance with the Utah State Legal Compliance Audit Guide**

Board of Education
Salt Lake City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salt Lake City School District as of and for the year ended June 30, 2005 and have issued our report thereon dated September 16, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah (each passed through the State Office of Education):

Minimum School Program
Driver Education
Fall Enrollment and Dropout Reporting

Student Membership Reporting
Adult Education Reporting

The District also received other state grants, which are not required to be audited for specific compliance requirements; however, these grants were subject to testwork as part of the audit of the District's financial statements.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt
Purchasing Requirements
Truth in Taxation and Property Tax Limitations

Cash Management
Budgetary Compliance
Other General Compliance Issues

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with certain requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Salt Lake City School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

Agui & Company, PC

September 16, 2005



Letter to Management

September 16, 2005

Board of Education
Salt Lake City School District

In planning and performing our audit of the financial statements of Salt Lake City School District for the year ended June 30, 2005, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 16, 2005, on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated September 16, 2005, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Prior Year Comments

Comments from audits of prior years have been addressed and have been or are being resolved. Certain prior-year comments are repeated for your consideration.

Capital asset accounting – The District has prepared and updated its capital asset and depreciation schedules and has made periodic inventory checks. Separate spreadsheets track asset information by class or fund. We recommended all capital assets accounting be consolidated into one database or be managed with one depreciation software program. During the 2006 fiscal year, the District will convert capital asset information to the new system.

Current Year Comments

Purchasing – We tested several purchasing transactions during the year ended June 30, 2005. We observed that certain purchasing practices may need to be modified or established policies should be more closely followed:

Purchase orders should be prepared as part of the approval process and prior to ordering and receiving the applicable goods and services. In a few instances, we noted purchase orders being prepared after the purchasing process was complete or the purchase order was waived.

Exceptions to purchasing policies should be carefully evaluated and decisions should be documented, especially for purchases from vendors designated as “sole source” or “preferred.”

Documentation should be retained providing evidence that phone bids were obtained for smaller purchases; the decision process of why a vendor was selected should be retained on file.

Payroll – We noted from our tests of transactions that three employees were paid incorrect rates and one employee was overpaid.

Individual schools – We visited thirteen schools near the end of the school year. We reviewed financial, membership, and equipment records. We noted that certain schools could be more consistent in

- obtaining principal approvals for all expenditures,
- retaining adequate documentation of transactions,
- ensuring that deposits and reconciliations are consistently reviewed,
- preparing backups of data files, and
- complying with District reporting policies.

Certifications – We noted that formal certifications as required by OMB Circular A-87 to support allocation of payroll costs to restricted federal programs are not always adequately documented. We recommend that monthly certifications be obtained for individuals who work in more than one program and when at least one of the programs is federal. We also recommend that semi-annual certifications be obtained for employees that work in one federal program.

New standard – Government Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*, is effective for periods beginning after June 15, 2005. This new standard amends prior guidance on the preparation of statistical information that is included with financial statements. We encourage the District to review the new standard and gather information the District intends to present within the statistical section of future financial reports.

Views of Responsible Officials – The capital asset accounting module of the new accounting system is being implemented. New acquisitions are being recorded on the new system and items from the old system will be brought over and incorporated into one system as resources are available. Purchasing policies and procedures are being reviewed and adjusted and we will continue to train employees in following these. We will review payroll policies and procedures and train employees and to strengthen controls to ensure payroll is accurate. Steps are being taken to provide schools with additional training and follow-up reviews through the year. Steps are being taken to obtain required certifications during this year. The new reporting standard will be implemented with the annual financial report for the year ended June 30, 2006.

We will review the status of these comments during our next audit engagement. We have already discussed in detail these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciated being able to work with District personnel in our audit. We note those we worked with in the audit process were responsive and helpful.

Squire & Company, PC

Squire & Company, PC